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**CHINESE MILITARY, ECONOMIC, AND POLITICAL  
REFORM: SURVEY AND CHRONOLOGY, JANUARY 1 -  
DECEMBER 31, 1986**

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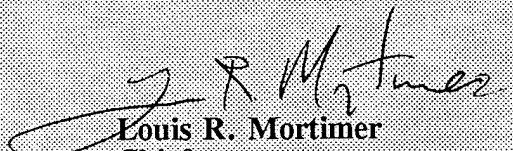
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## PREFACE

This survey examines the course of Chinese military, economic, and political reforms as reported between 1 January and 31 December 1986. For each topic, a brief statement of ultimate goals is followed by a discussion of the policy statements and key actions of the period. A chronological list of such statements and events is appended. The study is based on a variety of open sources, including US, Chinese, and other foreign newspapers, periodicals, wire services, books, and journals.

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## SUMMARY

In 1986 the main goal of China's reform effort remained greater efficiency, to be achieved by increased professionalization in the military, economic, and governmental sectors. China's reform leaders envisioned well-educated, professionally competent military officers and civilian administrators who followed laws and regulations, and decided issues through explicit procedures and wide consultation. There was broad leadership consensus on the need for reform, and overall agreement on the necessity for improvement of the existing system. There was, however, disagreement over the scope of the reforms. The narrow, conservative view was that the existing economic and political system needed only to be "perfected," primarily by improving the rules and raising the quality of personnel. The wider reformist view was that fundamental changes in a number of institutions, including the press and the Communist Party, were necessary. There was most leadership consensus on military reforms, some consensus on economic reforms, and serious disagreement on political reform.

Political reform, the most contentious aspect of the reform effort, came in for increasing discussion in 1986, as official media carried an increasingly wide-ranging set of articles on democracy, the role of law, freedom of the press, and the limits of party authority. Inner-party disputes were reflected in a set of leadership speeches and party resolutions which, in the latter half of 1986, were increasingly ambiguous, contradictory and difficult to interpret. As 1986 closed, the future course of reform was increasingly uncertain. A key question was how much momentum the reform program had built up at local and regional levels, and how difficult it would be for a more conservative leadership to halt or reverse the process.

## SURVEY OF CHINA'S REFORM EFFORTS, 1 JANUARY - 31 DECEMBER 1986

### a. Introduction

The reform effort promoted in the early and mid-1980s by Deng Xiaoping and his associates including Premier Zhao Ziyang and then Chinese Communist Party (CCP) General Secretary Hu Yaobang aimed at a transformation of the Chinese state and society as total as those attempted in the Great Leap Forward (1958-60) or the Cultural Revolution (1966-76). Other leaders, particularly those associated with the economist Chen Yun or the head of the National People's Congress, Peng Zhen, agreed that reforms were necessary, particularly in the economic sector, but did not consider total or wide-ranging changes necessary. Deng Xiaoping and his associates have tried to avoid the damaging emphasis on speed and immediate change that characterized the mass movements for societal transformation in the 1950s and 1960s. They have presented reform as a long-term effort, accompanied by discussion, debate, and wide consultation, that involves continual readjustment and redefinition. Public statements and media commentary have stressed the desirability of reform as a long-term goal, and asserted, perhaps inaccurately, broad agreement on the necessity of reform. Unconfirmed but plausible accounts of inner-party debates have reported sharp disagreement over the scope and pace of reforms. Because of the close links between the economy and the state administration and the ruling Communist Party that characterize Soviet-style economic and political systems, economic reform necessarily entails some political and administrative changes as well, and reform is bound to be a long-term process and an issue in internal politics.<sup>1</sup>

The inherent complexity of structural reform, the behind-the-scenes struggle over definition and content of the reform program, and the rhetorical cloud of praise for reform in very general and abstract terms all make it difficult to judge the success of the reform program over a short period of time. The difficulty is compounded by the Chinese tendency to use the term "reform," very broadly, and to describe almost any government action or any change as "reform."<sup>2</sup> In the Chinese political context such imprecision has obvious benefits. It permits the assembly of coalitions and permits national leaders to switch targets and by redefining intermediate, short-term goals, avoid identifying any program as an outright failure. Assessing the course of a long-term process with broadly defined goals is best done by paying close attention to concrete, key actions and to authoritative policy statements by national leaders. Therefore, this discussion interprets "reform" as a narrower category than "change" and limits "reform" to purposeful alterations in overall structures or procedures, or in relations between component subsystems of national institutions.

### b. Military Reform

Military reform had well-defined goals and proceeded in 1986 without public debate or disagreement. Military reform sought to create a more professionalized and technically proficient armed force, capable of using the modernized equipment expected to be available in the 1990s. Reform efforts concentrated on improved training and on organizational restructuring.

In December 1986 it was announced that the People's Liberation Army (PLA) had reduced its size by 410,000 officers and enlisted personnel since the previous December (1985). Over 30 army corps and 4,000 division and regimental units had been disbanded, and the total reduction of one million troops would be completed "on schedule." (The June 1985 announcement of the proposed reduction in force called for cutting one million troops within 2 years.) The remaining officers and troops were reported to be better educated and better trained than before streamlining. By 1986, 82 percent of field army officers had attained a middle school or higher educational level, as opposed to only 2.9 percent in 1982.

In a break with past practice, under which military units themselves trained all recruits, specialized training regiments were established. All new recruits were to spend the first 4 months of their service receiving basic training before assignment to operational units. The network of officer training academies and staff and command schools for mid-career officers was expanded. In September the new National Defense University, intended to train senior officers, enrolled its first classes. Military training for students was expanded from 52 colleges and universities to 69, and the total training period increased from 10 weeks to 13 weeks.

The PLA prepared to establish a noncommissioned officer (NCO) corps. The NCOs would fill a number of specialized technical positions and serve for 10 to 12 years. The first group of NCO cadets enrolled in classes at 40 Army academies (which were also training junior officers) and at two specialized Air Force and Navy academies. The cadets were selected by examination from personnel who had already served 2 years in the armed forces.

The establishment of reserve units and the disbanding of many militia units was a further step toward building a professional military force. The new reserve divisions and regiments had functioning command and party organizations and were officially incorporated into the PLA chain of command. The militia was downgraded, with enrollment reduced by 80 percent (from an unspecified number). The remaining militia units reportedly devoted more time and effort to local CCP activities and less to military training.

Reorganization reached the field armies, all of which were transformed into "group armies." Group armies combined infantry, armor, and other specialized branches of service into a single organization. The composition of group armies varied, depending on conditions in the part of the country where they were deployed. For example, group armies on the Soviet and Mongolian borders presumably included more tank and antitank units than those on the mountainous frontier with Vietnam. Group armies possessed a "relatively high degree" of mechanization and mobility, and their officers were better educated with a higher level of technical skill than their field army predecessors.

Reforms in the military industrial and logistic sectors resulted in greater integration with the civilian economy. More military facilities, including rail lines, ports and airfields, were opened to or turned over to civilian use. Military industries continued to be encouraged to use their surplus capacity to produce goods for the civilian market and to develop products for export. Efforts to involve the military in contributing to the



national economy led to some military units engaging in moneymaking activities. These could, in some cases, lead to suspicion of corruption. The press reported in general terms on the work of PLA auditing groups. Corruption in the military, however, received little public attention.

c. Economic Reform

(1) Discussion

During 1986 vigorous and open discussion of economic questions continued. Both academic journals and the daily press published articles on such topics as different types of ownership (state, collective, joint-stock, private) of enterprises, the proper role of banks, the functions of bankruptcy, and the best ways for the central government to use indirect "economic levers," (tax rates, monetary policy, interest rates) to guide the economy. Foreign experience was often cited, and some writers took an open attitude toward certain capitalist institutions and practices. Many articles concluded with policy recommendations.

(2) Policy

Economic reform was to be consolidated in 1986, and no major initiatives were announced. Price reform, recognized as the heart of fundamental economic reform, was explicitly ruled out. Repeated statements by such national leaders as Premier Zhao Ziyang reaffirmed support for the October 1984 CCP Central Committee "Decision on the Reform of the Economic Structure." The draft of the 7th Five-Year Plan (1986-90), which was approved by the National People's Congress (NPC) on 12 April, called for giving priority to reform, and granting more decision-making powers to enterprise managers, expanding the role of market exchange and diminishing direct administrative control over enterprises and the economy. These issues were associated with Premier Zhao Ziyang and the advocates of extensive economic reform. It also called for keeping a balance between supply and demand, a general balance between all sectors, and for keeping total investment within proper limits. The themes of economic balance and restraint in investment were linked with party elder Chen Yun and his associates, who favored a more limited and measured approach to economic reform. In addition, the NPC amended Premier Zhao Ziyang's report on the 7th Five-Year Plan. It added paragraphs stressing the importance of grain production and of solving major problems by applying the basic Marxist theories. Maintaining grain production and solving problems by applying Marxism are slogans associated with NPC Standing Committee Chairman Peng Zhen, who reportedly opposed much of the reform program.

Throughout the year, policy statements emphasized the importance of improving the performance of factories and other enterprises through granting them greater autonomy. Wasteful duplication of effort and investment was to be reduced by expanding "horizontal" or "lateral" ties between enterprises and regions. The banking system was to be improved and new forms of financial coordination, summed up as macroeconomic management, introduced. All of these policies implied a greater role for market exchange and a reduced role for direct state and party control over enterprises and their managers.

### (3) Administrative Actions

During 1986 a series of administrative actions served to translate the general goals of reform into specific administrative, regulative, and legal measures. In April the NPC adopted a new Civil Code, intended to provide a clear legal framework for cooperative, contract-based, and market-oriented economic activity. The Bankruptcy Law, the other key piece of economic legislation, was finally approved by the NPC on 2 December. Seen as a central provision of the attempt to impose sanctions for poor performance on grossly inefficient factories, the Bankruptcy Law received a considerable amount of publicity in the official media during the year. It reportedly was also the object of considerable opposition, which was not articulated in the press. The NPC was expected to pass the law in its September session, but failed to do so. The measure finally passed in early December, but contained a number of provisions apparently designed to limit its scope and applicability. Identified as a "trial" measure subject to further modification, it was not to come into force until 3 months after the adoption of the law on state enterprises, which was not scheduled to be submitted to the NPC until March 1987.

The State Council promulgated regulations on contractual associations of enterprises and the taxation of such associations, and on the operation of the commercial system. It also issued a circular on the employment and recruitment of scientific and technical personnel, cautiously endorsing the right of such skilled personnel to transfer to other enterprises or research units if their skills were not being utilized. In a move that could have major long-term consequences, the State Council issued regulations on employment in state enterprises. The regulations, intended to break the "iron rice bowl" of guaranteed lifetime employment, required all new employees to be hired on contracts valid for a limited period of time and contingent on managers' assessment of performance. Regulations on the powers and responsibility of factory managers, and the roles of factory workers' congresses and party branches were issued. The general import of these regulations, intended to be supplemented by specific laws on the topics, was to increase the authority of technically qualified managers and to limit the powers of party branches and their secretaries. In addition, it was announced that the system of managerial responsibility (for enterprise profits and losses) would be extended to all state enterprises. Price controls on some consumer goods, such as bicycles and black-and-white television sets, were lifted. Such measures, taken by central organs, applied to the whole country.

Other, experimental, reform measures applied only in selected localities. These reforms centered on industrial management, extension of market exchange, and improvements in the banking and financial sector. The cities of Wuhan, Shenyang and Chongqing had been granted special freedom to experiment with reforms of the urban, heavy industrial sector, and during 1986 much publicity was given to their experiments. As in the earlier (1979-81) rural economic reforms, successful cases would be publicized, become models, and serve as the basis for nationwide regulations and laws.

The goal of most of the measures was to increase the operating efficiency of enterprises and to reward good management. Managers of state-owned factories signed performance contracts, and money-losing state factories

in Shenyang were leased to managers who would get a share in any profits. A large number of state-owned retail shops and service enterprises in cities across China were leased to individual managers, and in Beijing seven shops were auctioned off to individual proprietors. One collectively owned Shenyang factory, with 70 employees, became China's first (and, as of the end of 1986, only) bankruptcy since 1949.

Across the country an increasing number of enterprises were raising funds by issuing securities, and limited markets for the exchange of such securities were developing. The securities, which usually paid a fixed interest rate for a fixed period, resembled Western-style bonds more than stocks, although Chinese press accounts frequently referred to them as shares or stocks. Shanghai opened China's first real estate market, and a small number of apartments were sold. An increasing percentage of industrial commodities such as cement and steel were allocated by markets rather than administrative orders or quotas. Financial markets, which primarily served banks, opened in a number of cities. A growing number of collectively owned and even private credit cooperatives and banks opened in cities and the more heavily commercialized rural areas, where they served the growing individual and small-scale collective economic sector. Many of the new practices and institutions operated on a very limited scale and were more significant as examples and objects of publicity than for their contribution to the economy.

#### (4) Problems

A number of government actions and much national publicity were responses to urgent problems rather than the logical unfolding of a long-term plan. The most common problem was the failure of local-level authorities to implement reform measures mandated by the central authorities. Local officials or party branches within enterprises often attempted to continue to control enterprises and harassed or dismissed reform-minded managers. Such failure to comply with central directives and policies, whether motivated by the simple desire to retain power and privilege or by principled opposition to the reform policies, presented China's reformist leaders with major political problems.

Many of the bold new initiatives had little practical effect, largely because of failure to change the overall economic structure. Most of the measures for indirect, "macroeconomic" guidance of the economy and for improving the "microeconomic" performance of individual enterprises assumed a rational price system for their operation. Without comprehensive reform of the price system, they could not function as intended. Some critics of the proposed bankruptcy law argued that it was inappropriate to introduce it, because in the absence of price reform the profits or losses of any enterprise reflected the fixed prices of its raw materials and of its products as much as they did its operating efficiency. Two months after it opened, the heavily publicized Shanghai Stock Exchange was inactive because regulations intended to prevent speculation made it impossible to sell shares at a profit, thus removing any incentive to trade. Markets throughout China were subject to a number of unpredictable and arbitrary restrictions, imposed in the name of supervision and management, which impeded their economic utility.

#### d. Political Reform

In 1986 political reform emerged as a central topic of discussion. Political reform differed from military or economic reform in that while there was much discussion and publication of essays and speeches, few concrete legal or administrative actions were taken. But the discussion was clearly intended to influence policy-making and within the near future to result in changes in laws and in administrative procedures. The limits of discussion in 1986 were, for China, extraordinarily broad. Topics such as the nature of Marxism, the role of the Communist Party, common faults of administrative cadres, the binding nature of law, as well as academic freedom, democracy, the political role of the masses as "masters of the state," and the rights guaranteed to citizens by the State Constitution were all discussed in the official media. The topics and themes of discussion were very general, ill-defined, and open to varying interpretations. The reasons for the sudden emergence of political reform as a major topic of public discussion remain obscure and probably reflect inner-party political struggle.

In 1986 China marked the 30th anniversary of the Double Hundred Movement of 1956, and during the year there were frequent references to Mao Zedong's 1956 slogan of "Let a Hundred Flowers Bloom, Let a Hundred Schools of Thought Contend." The term implied intellectual freedom, wide limits on discussion of academic and political topics, and official tolerance for some degree of dissent and criticism. Another central term in the discussion was "socialist democracy." Although more often invoked or affirmed than defined, "socialist democracy," at least as used by such CCP leaders as Hu Qili (in April), seemed to refer primarily to better communication between leaders and the public, and to leaders making decisions only after wide consultation. It did not refer to elections, opposition parties, or majority rule. The official media kept their discussions general and abstract and did not spell out the implications of "socialist democracy." Beijing Review summed up the goal of political reform as "the creation of a socialist political system that is efficient, democratic, and supported by a proper legal system." (Beijing Review, 18 August.)

The official justification for the emergence of political reform as a central topic of discussion was that it was a response to difficulties in the economic reform program. Beijing Review explained (18 August): "Practice has proved that if the political system is not revamped it will be difficult to carry through the economic reform. Moreover, unless there is a breakthrough in the political reform, what has been achieved will not be consolidated and may even be undone." The policy of granting increased autonomy to factories and greater power to their managers was said to have been frustrated by local-level administrators who refused to permit managers to make their own decisions and persecuted some reform-minded managers. (See Economic Reform.)

Nevertheless, there was no obvious economic crisis. China's major economic problems in 1986 were a foreign trade deficit, a budget deficit for the central government, and excessive local investment in industry (which led to wasteful duplication, shortages of raw materials, and further strain on already inadequate transportation and electric power systems). The relation between these economic problems and discussions of socialist democracy, academic freedom, and the scientific rather than dogmatic nature of Marxism

was tenuous at best. If asked, most economists and administrators concerned with economic performances and growth would probably have suggested a more narrowly economic remedy such as further price reform. Furthermore, political reform would necessarily be a long-term effort, with little immediate effect on economic performance or on implementation of economic reform measures.

The central problems political reform was intended to address appeared to be the behavior of cadres, the operation of China's many administrative bodies, and the failure or refusal of many local-level officials to comply with central policies and directives. There is no evidence that these long-standing problems were exceptionally severe in the spring and summer of 1986. It seemed likely, therefore, to many Hong Kong and foreign observers that the sudden wave of discussion of political reform represented a short-term, tactical move in an ongoing inner-party political struggle.

The most common explanation was that the political reform movement represented a counterattack by the reformers, whose opponents within the party had criticized the scope and pace of economic reform. Unconfirmed reports claimed that opponents had (during 1985) blamed economic reform for rising corruption, moral decay, and inflation, as well as neglect of ideology and Marxist-Leninist principles and flirtation with capitalist practices. Many points made in articles in favor of political reform can be interpreted as responses to these (generally unpublished) charges. Corruption was acknowledged, but attributed to the legacy of China's feudal past rather than to harmful foreign influences. Poor economic performance was blamed on the "dogmatic" attitudes and practices of cadres opposed to reform. Marxism was described as a science, open to change, and those who criticized reformers for departing from ideological canons were described as dogmatists who could not learn from practice. The political reform movement may be interpreted as an attempt to seize the political initiative and define the major issues in ways favorable to the reformers and to either shift the discussions away from the achievements of the economic reform program (which many observers feel fall far short of expectations), or to put the blame for poor economic performance or failure of the urban economic reforms on the opponents of reform.

There was considerable dissatisfaction at the highest levels over cadre corruption, failure to implement central directives, tendencies to pursue local (and personal) advantage at the expense of the nation, and general poor performance by bureaucrats with a lifetime hold on their positions and a free hand in picking their successors. In August 1986, a 1980 speech by Deng Xiaoping on leadership was published. He identified the major problems as bureaucracy, overconcentration of power, patriarchal methods, life tenure in leading posts, and cadre privileges. Part of the content of "socialist democracy" was a model of the ideal cadre, who does not exhibit the faults listed by Deng Xiaoping. A leader practicing socialist democracy keeps in close contact with the masses, consults widely, seeks advice from experts, tolerates disagreements in all but matters of fundamental principle, and is guided and constrained by law. The unreformed bureaucrat, in contrast, pays no attention to public opinion or expert advice, considers himself above the law, makes decisions arbitrarily and subjectively, and adheres unthinkingly to a simplified version of Marxism.

The severity of administrative problems (as well as the difficulties of the urban economic reform) was indicated by the December establishment of a new Ministry of Supervision. It was to ensure that government departments actually followed regulations and implemented state policies. According to Vice Premier Qiao Shi, the new ministry was necessary because there was no mechanism to enforce compliance with central policy. The absence of detailed legal guidelines for much economic activity meant that local officials who ignored or subverted central directives and policies could not be charged in a court with violation of the law. The CCP's internal discipline which ought to have ensured the compliance of local officials and cadres of state industrial ministries with the pro-reform policies of the party leadership did not seem adequate to the task. Although political opposition to reform policies was presumably a major cause for failure to implement the policies, a further reason is suggested by Hong Kong observers who assert that the party's central and regional Discipline Inspection Commissions are dominated by opponents of reform and devote more effort to persecuting reformers than to disciplining local officials who obstruct reform.

Commentary by Hong Kong and foreign observers has identified two main tendencies in political reform and the politics of reform. The first, narrow interpretation saw political reform primarily as a matter of improving the performance of the existing administrative system. This was to be done primarily through reforming the cadre system, which meant abolishing lifetime tenure in office, reducing the age and increasing the educational level of officials, instituting effective systems of monitoring performance, and using clear standards for recruitment, promotion, and continuation in office. As a subsidiary step, more emphasis was to be put on laws and on the role of law as a guide to and restraint on official behavior. The focus of this approach to political reform was on producing a more professional administrative service, which would make the system work more effectively. Advocates of the narrow interpretation tended to stress the long-term and complex nature of political reform, and the need to proceed cautiously and under party control.

Leaders associated with this tendency, such as Chen Yun, Peng Zhen, or Deng Liqun, were usually labeled either as "conservatives" or "leftists." They were conservative in their opposition to wide-ranging and rapid changes in the economic or the administrative system, and in their defense of existing authorities and idealization of the 1950s. They were leftist in their opposition to market exchange and in their support of central economic planning, as well as in their emphasis on correct ideology and their desire to control artistic and intellectual activity.

The second, wider, interpretation of political reform was less clearly focused or coherent. In general, it considered the political system as a whole and called for fundamental changes in such areas as ideology, the press, and cadre accountability to both the public and the central leadership. This position was supported by citations of examples of malfeasance by administrative and party cadres, calls for academic freedom and less party interference in science and the arts, references to the rights of speech and assembly set out in the Constitution, and discussions of the harmful effects of China's legacy of "feudal" practices. Foreign examples were more often cited as positive examples worth studying than as threatening sources of cultural pollution. This school of thought raised the possibility of

modifying some aspects of Marxism and characterized Marxism as an open, scientific, and therefore changing system rather than as a fixed dogma. It emphasized the role of law as a check on the lack of accountability of officials, and contemplated a limited role for direct elections. The need for more information and more open channels of communications between the public and the leadership and between different segments of society was a major theme in these discussions, as was the generically Marxist argument that changes in the economic structure and in society required corresponding changes in the political structure, and that practices appropriate to the 1950s were not adequate to the new situation of the 1980s and 1990s.

Most writers, perhaps mindful of the conclusion of the first "Double Hundred" program (the Anti-Rightist Campaign of 1956 and 1957), refrained from explicit speculation on the role of the party, and the term "socialist" was always applied to "legal system" or "democracy." Nevertheless, the proposals for elections to local government, greater autonomy for scientists and writers, and the need for even leaders to obey the law could be interpreted as limiting the power of the party.

During 1986 the reformers controlled the party's propaganda apparatus and the press, allowing their views to be widely publicized. The opinions and arguments of their opponents were much less visible outside the closed arena of inner-party meetings and consultations. The overt signs of the power and agenda of their opponents came in modifications of party and state programmatic documents and in delay and modification of legislation presented to the NPC by the State Council. The NPC amended the draft of the 7th Five-Year Plan in April 1986 and delayed passage of the Bankruptcy Law, a central element of the economic reform program, until early December 1986 when it passed a modified version as a trial law, to be amended later.

Hong Kong observers reported increasingly severe disagreements between proponents and opponents of reform during the year. A plenary session of the CCP Central Committee met in late September and discussed ideology. It passed a resolution on "Socialist Spiritual Civilization" that endorsed economic and political reform and called for the extension of socialist democracy and the improvement of the legal system. It also affirmed the necessity of adhering to Marxism-Leninism and Mao Zedong Thought and said that it was wrong to view Marxism as an outmoded theory. Interpretations of the resolution by Hong Kong and Western observers varied considerably, with some seeing it as a strong endorsement of the reform program with a few rhetorical sops to the party's conservative/leftist wing and others seeing it as a highly ambiguous and self-contradictory document reflecting deep divisions within the leadership. The China News Analysis (Hong Kong) highlighted the ambiguous nature of the resolution and interpreted the failure to publish the speeches given by Deng Xiaoping and Zhao Ziyang at the Central Committee session and the unusual failure of Renmin Ribao to carry the customary National Day editorial on October 1 as evidence of serious divisions within the Political Bureau.

After the September Central Committee session, the Chinese press published relatively fewer articles proposing wide-ranging and fundamental political reform, and relatively more articles reflecting a narrower agenda for what was increasingly called "political structural reform." In December Renmin Ribao published a number of commentaries on political reform which took

the unexceptionable position that political reform, though urgent and important, should only be carried out under central leadership and in an orderly, measured manner. December's student demonstrations for democracy and reform received little attention in China's central news media before the end of the month, although they were the object of considerable comment in the foreign press. The Chinese press, apparently waiting for definitive guidance, published general articles praising stability and unity and associating "great democracy" with Cultural Revolution disorder. The first official comment on the demonstrations came on 30 December in a press conference by He Dongchang, Vice-Minister of the State Education Commission, who pointed out that only 1 percent of China's college students had participated in the demonstrations. He took the unsurprising position that building democracy should be carried out through proper procedures and under the leadership of the party.

e. Prospects for Reform

By late 1986, there was evidence of increasing opposition to reform, especially in the political and economic sectors. The course and speed of reform had become a major issue in the largely behind-the-scenes political struggle within the party. The widespread student demonstrations in December, although peaceful, were unauthorized and therefore a challenge to the authority of the party and the government. The political events of early 1987, including the dismissal of CCP General Secretary Hu Yaobang and the resurgence of the conservative/leftist tendency within the party, put further economic reform in doubt and reduced the already slim likelihood of political reform. With uncertainty over the composition and policies of China's leadership likely to continue at least until the CCP Congress in September 1987, the probability of further major initiatives in economic or political reform was low.

A major issue is the extent to which the reforms, especially in the economy, have acquired a momentum and a constituency which would make them difficult to reverse. It is possible that in some parts of China, such as Chongqing, central Guangdong, and southern Jiangsu Province, the increasingly market-oriented and thriving local economies could be returned to the centrally controlled mold of the 1950s only at great cost in disruption and loss of employment. In 1987 it will be necessary to pay close attention to local-level administrative or financial changes to estimate the effects of possible leadership changes on economic reform. Political reform will probably be postponed to the indefinite future, and military reform should be unaffected.



#### NOTES

<sup>1</sup>Hansen C. K. Leung, "The Role of Leadership in Adaptation to Change: Lessons of Economic Reforms in the USSR and China," Studies in Comparative Communism, vol. 18, no. 4 (Winter 1985), pp. 227-31.

<sup>2</sup>Robert F. Dernberger, "Reflections of a China Specialist," in Janet A. Cady, ed., Economic Reform in China: Report of the American Economists Study Team to the People's Republic of China (New York: National Committee on US-China Relations, 1986), pp. 4-5.

## CHRONOLOGY

## POLITICAL REFORM

RECORD: 157

Objectives	GOVERNMENT
Subobjectives	Leadership
Indicators	China's leadership rejuvenation reached its climax in September 1985 when 131 party veterans, including 10 from the Political Bureau and 54 from the Central Committee, resigned. Deng Xiaoping described the rejuvenation process as an "organizational guarantee for the continuity of the party's (reformist) policies." The task of implementing the reforms as well as resolving the problems has been placed firmly on the shoulders of six "rising stars," promoted to Political Bureau and/or Secretariat membership in September 1985: Hu Qili, Tian Jiyun, Qiao Shi, Li Peng, Wang Zhaoguo and Hao Jianxiu. Hu Qili chaired a Party Secretariat meeting in January 1986 in which he announced the formation of a top-level anticorruption campaign, headed by Qiao Shi.
Sources	Bonavia, David. "Forward to Uncertainty: The Very Success of Deng's Reforms Inhibits Political Consensus." <u>Far Eastern Economic Review</u> (Hong Kong), 20 March 1986, pp. 57, 59-62.
Item Date	86/01/20

RECORD: 159

Objectives	GOVERNMENT
Subobjectives	Corruption
Indicators	In Deng Xiaoping's words, China took "a brave step" on the path of reform in 1985 in many important aspects of China's urban and rural economic systems, including the sensitive price and wage systems. In 1986, reform policies continue to be the priority tasks of the party and government. It is to be a year of "consolidation, assimilation, supplementation, and improvement" on the basis of the reform policies of 1985. At the beginning of this year, the CCP Central Committee passed a resolution to fight against corruption in party and government. The reform and rectification are working hand in hand toward the common goal--the reform policies.
Sources	"A Brave Step." <u>Renmin Ribao</u> (Overseas Edition), 12 February 1986, p. 2, in FBIS/China, 12 February 1986, p. K1.
Item Date	86/02/12

POLITICAL REFORM

RECORD: 196

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	At the CCP National Conference of Delegates in September 1985, Deng Xiaoping proposed that cadres, especially leading cadres, should be required to study Marxist theories. However, a problem exists in the interpretation of Marxism. The reformists, who advocate rejecting or reinterpreting certain Marxist tenets to conform to current realities are in disagreement with the conservatives, who take a more orthodox view of Marxist theory.
Sources	Chang Chen-pang. "To Study Marxist Theories: A New Requirement for Chinese Communist Cadres." <u>Issues &amp; Studies</u> (Taipei), vol. 22, no. 3, March 1986, pp. 1-3.
Item Date	86/03/00

RECORD: 160

Objectives	GOVERNMENT
Subobjectives	Faction
Indicators	In the course of drawing up the guidelines of the Seventh 5-Year Plan, Deng Xiaoping was under great pressure and encountered a number of difficulties. Chen Yun and his supporters criticized Hu Yaobang for "relaxing the ideological work" and "yielding to capitalism." Hu Qiaomu argued that the special economic zones are "concessions," the open-door policy is "colonization without colonists," and the opening up has corrupted China's social values. Because of the runaway industrial growth in 1985, Chen Yun and his followers tried to put the blame on the reformists. They argued that the pace of reforms should be slowed down. Finally, the reformists and Chen Yun's faction worked out the guidelines for reforms in 1986 as "consolidating, digesting, replenishing, and improving."
Sources	Lo Ping, "Notes on a Northern Journey," <u>Cheng Ming</u> (Hong Kong), 1 April 1986, in FBIS/China, 3 April 1986, p. W1.
Item Date	86/04/01

RECORD: 211

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	Addressing social scientists in Shanghai on April 14, Political Bureau member Hu Qili discusses "spiritual civilization." He says:

## POLITICAL REFORM

### Continued

#### Assessment

"We should not let people believe that we now stress spiritual civilization simply because there have been some troubles with our economic structural reform. This is not true." He argues that economic reform and spiritual civilization are mutually reinforcing, and identifies "negative tendencies" such as corruption with China's "feudal tradition" and underdeveloped forces of production. The only cure is to carry out further reforms and continue the opening up policy. Education and enforcement of laws are the way to improve the party's working style. "To prevent cadres of all ranks from abusing their powers and engaging in trade, we must further develop the commodity economy to create an environment of balanced competition and further improve our legal system."

#### Sources

Chen Maodi. "Create an Atmosphere of Democracy, Harmony and Trust - Hu Qili Has Heart-to-Heart Talks with Intellectuals in Shanghai." Liaowang (Overseas Edition) (Hong Kong), 2 June 1986, in FBIS/China, 4 June 1986, pp .K1-7.

#### Item Date

86/04/14

### RECORD: 195

#### Objectives Subobjectives Indicators

#### GOVERNMENT

#### Decentralization

The Seventh 5-year Plan calls for a significant transfer of administrative power from central authorities to local governments and a gradual removal of government at all levels from business and industry. The Plan states that "except for a few special government departments and industries, no ministries, provinces, or autonomous regions will exercise direct control over enterprises." However, the Plan will be difficult to implement because it calls for a decrease in party and central leadership power and could lead to social unrest if market forces are not properly managed.

#### Sources

Sterba, James P. "China's Leaders Show Daring with New Plan." Asian Wall Street Journal (Hong Kong), 16 April 1986, pp. 1, 5.

#### Item Date

86/04/16

### RECORD: 163

#### Objectives Subobjectives

#### GOVERNMENT

#### Ideology

## POLITICAL REFORM

### Continued

**Indicators** In a 23 March speech to party members attending the National People's Congress, Political Bureau member and possible successor to Hu Yaobang as Party General Secretary, Hu Qili defines "socialist democracy." It is a process in which leaders visit grass-roots units and solicit opinions from the masses, explain policies and rely on persuasion through rational discussion. Political struggle, criticism of people on principle, and arbitrary issuing of orders are to be avoided. Differences of opinion are allowed. "Socialist democracy" is essentially a matter of open communication between leaders and the masses, and operates through rational discussion rather than political struggle and mass movements.

**Sources** Hongqi (Beijing), No.8, 16 April 1986, in FBIS/China, 29 April 1986, p. K1-6.

**Item Date** 86/04/23

RECORD: 210

**Objectives** GOVERNMENT  
**Subobjectives** Ideology  
**Indicators** Hu Qili, member of the Political Bureau and the Party Secretariat, delivers a May Day speech in Beijing, in which he calls for the continued development of Marxism. Declaring that it has never been a rigid dogma, he calls on party members to have the courage to break with (Marxist) conclusions that experience has proven outmoded or incorrect. "We must oppose mental ossification and avoid regarding Marxism as dogma that never changes."

**Sources** Xinhua (Beijing), 30 April 1986, in FBIS/China, 2 May 1986, pp. K2-10.

**Item Date** 86/04/30

RECORD: 190

**Objectives** GOVERNMENT  
**Subobjectives** Democratization  
**Indicators** Recent calls by the Chinese leadership for greater intellectual freedom have created the opportunity for academics and artists to hold discussions on a wide range of politically sensitive subjects, such as how to improve on concepts of socialism.

**Sources** Zhang Xiaogang. "State Reforms Set Academics Abuzz." China Daily (Beijing), 15 May 1986, p. 4.

**Item Date** 86/05/15

## POLITICAL REFORM

### RECORD: 198

Objectives	GOVERNMENT
Subobjectives	Problems
Indicators	The factory director responsibility system, designed to increase state-owned factory efficiency, profitability, and quality control, is perceived by in-plant party committee members as a direct threat to their power and perquisites. The two main areas of contention are the factory director's authority to appoint middle-level leadership cadres, which some say violates the principle that the party should be in charge of cadres, and the claim that certain factory directors have abused their authority and engaged in "unhealthy" and illegal activities.
Sources	Delfs, Robert. "Who's in Charge?" <u>Far Eastern Economic Review</u> (Hong Kong), 22 May 1986, p. 64.
Item Date	86/05/22

### RECORD: 197

Objectives	GOVERNMENT
Subobjectives	Decentralization
Indicators	In order to improve efficiency in industrial enterprises, party committees now focus on political, ideological, and organizational work instead of getting involved in day-to-day production and managerial affairs.
Sources	"Units Give Directors More Power." <u>China Daily</u> (Beijing), 31 May 1986, p. 3.
Item Date	86/05/31

### RECORD: 191

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Leaders of the Communist Party and social scientists have become aware that successful reform of the economic system is contingent on the implementation of political reforms. For example, Deng Xiaoping has stated that economic reform involves reform in the fields of politics, education, science, etc. Hu Qili, a younger leader of the Communist Party, announced on May Day that reforms would be made in the political, as well as economic and cultural, structures to build a high level of democracy and civilization in China. A commentary in <u>Renmin Ribao</u> argued that eliminating obstacles to economic reform, such as bureaucratism and the abuse of power for

## POLITICAL REFORM

### Continued

private gain, depends on reform of the political structure.

Sources Huang Qing. "China to Extend Scope of Reform." China Daily (Beijing), 9 June 1986, p. 4.

Item Date 86/06/09

### RECORD: 192

Objectives GOVERNMENT

Subobjectives Democratization

Indicators Numerous articles have appeared recently in the Chinese press on the theme of "Double Hundred" in an attempt by party reformers to allow greater freedom to intellectuals, primarily in academic research. The articles appear to be coordinated by the party leadership, probably through Zhu Houze, head of the Party Propaganda Department, who replaced the conservative Deng Liqun in July 1985.

Sources Delfs, Robert. "Contending Thoughts - Party Liberals Push for Free Academic Debate." Far Eastern Economic Review (Hong Kong), 19 June 1986, pp. 49-50.

Item Date 86/06/19

### RECORD: 193

Objectives GOVERNMENT

Subobjectives Democratization

Indicators The Chinese leadership has launched a "New Hundred Flowers" campaign to increase intellectual freedom, to promote "democratization," and to achieve "de-dogmatization and renewal of ideology." Four reformers who have been at the forefront of the campaign are: Hu Qili, member of the Central Secretariat; Zhu Houze, CCP propaganda chief; Liu Zaifu, researcher in literary theory at the Chinese Academy of Social Sciences; and Ma Ding, philosophy researcher at Nanjing University. The article maintains that the current drive lacks a popular base, and therefore Beijing can easily abort the temporary liberalization once it has outlived its political usefulness.

Sources "A Time to Speak Out." Asiaweek (Hong Kong), 22 June 1986, pp. 47-56.

Item Date 86/06/22



## POLITICAL REFORM

### RECORD: 194

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	During a visit to Italy, Hu Yaobang, CCP General Secretary, stated that Marxism is not an immutable dogma and that it must be constantly enriched and developed through practice. He said that Communists must be adept at rejecting or replacing individual Marxist concepts that are either outdated or impractical.
Sources	Wang Gangyi. "Marxism Not Rigidly Dogmatic, Hu Says." <u>China Daily</u> (Beijing), 23 June 1986, p. 1.
Item Date	86/06/23

### RECORD: 212

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	Addressing the Chinese Association for Science and Technology, Political Bureau member Hu Qili calls on scientists to keep to the policy of letting a hundred schools of thought contend, carry forward democracy and encourage the free discussion of different academic views. He concludes: "The party's policy of letting one hundred schools of thought contend is the concrete manifestation of socialist democracy in the field of science and technology."
Sources	Xinhua (Beijing), 23 June 1986, in FBIS/China, 24 June 1986, p. K3
Item Date	86/06/23

### RECORD: 199

Objectives	GOVERNMENT
Subobjectives	Democratization
Indicators	Communist Party officials and scholars claim that China's reform program has created an "unprecedented political democratization." They hold that there has been a broadening of academic freedom and say that they are calling for legislation to ensure its continuation. An article in <u>Renmin Ribao</u> argued that there must be detailed guarantees of civil rights, such as laws to protect the press, and to protect copyrights, inventions, visual media, academic and cultural societies, and literary creations.
Sources	Zhang Xiaogang. "Spell Out Freedom, Academics Urge." <u>China Daily</u> (Beijing), 24 June 1986, p. 4.

## POLITICAL REFORM

Continued

Item Date

86/06/24

RECORD: 200

Objectives

GOVERNMENT

Subobjectives

Rejuvenation

Indicators

China's cadre system is being reformed to permit younger and better educated officials to assume positions of authority. The average age of provincial leaders has decreased from 62 to 53, prefectural leaders from 56 to 49, and county level leaders from 49 to 44.

Sources

"Younger People Put on Leading Posts."

Beijing Review 7 July 1986, p.7.

Item Date

86/07/07

RECORD: 213

Objectives

GOVERNMENT

Subobjectives

Ideology

Indicators

Addressing a 3-day conference on reform of the political structure at the Central Party School in Beijing, Zhu Houze, Director of the CCP's Propaganda Department, says that reform of the economic structure, reform of the political structure, and changes in ideology and culture all influence each other. The present political structure creates obstacles to continued economic reform. The meeting chiefly discussed relations between the party and the government.

Sources

Renmin Ribao (Beijing), 15 July 1986, in

FBIS/China, 18 July 1986, p.K13.

Item Date

86/07/15

RECORD: 282

Objectives

GOVERNMENT

Subobjectives

Ideology

Indicators

Su Shaozhi, Director of the Institute of Marxism-Leninism and Mao Zedong Thought of the Chinese Academy of Social Science, publishes an article (in the Shanghai newspaper Jiefang Ribao (Liberation Daily) identifying feudal influences as the major impediment to successful reform. Feudal influences are the major cause of corruption and such malpractices as favoritism in promotions and are responsible for the continued deprecation of science and technology and the failure to recognize the vital role of intellectuals in the Four Modernizations. The only cure for the "evil wind" of feudal influences is democratization of society, with freedom of

## POLITICAL REFORM

### Continued

speech and of the press which will permit the people's role of supervision to be realized.

Sources "Feudal Remnants Block China's Path," China Daily (Beijing), 22 July 1986, p.4.

Item Date 86/07/22

### RECORD: 283

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Vice Premier Wan Li, addressing a national symposium on "Soft Science," says that developing socialist democracy is a vital part of the reform now under way in China's political system. Wan calls for democratization of policy-making and adoption of scientific methods. Of policy-making, he says, "We haven't had an adequate support system, consultancy system, appraisal system or feedback system." Consequently, there is no scientific way of testing the soundness of a policy decision.

Sources "Democracy Called Vital in Making of Policy," China Daily (Beijing), 1 August 1986, p.1.

Item Date 86/08/01

### RECORD: 284

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Addressing the graduates of the Central Party School in Beijing on 16 July, Wang Zhaoguo, a member of the Secretariat of the CCP Central Committee, states that some reform of the political system is necessary to complement current economic reforms. The proposed political reform has five aspects: streamlining administrative organs; improving work efficiency; changing the personnel system; improving the socialist legal system; and introducing a division of work between the party and the government. The purpose of the reform should be to establish a socialist political system having a high degree of democracy, efficiency and an improved legal system. The reform must be carried out in a planned manner and be conducive to strengthening the leadership of the party.

Sources "Political Reform Put On Agenda," Beijing Review, 4 August 1986, p.5.

Item Date 86/08/04

# POLITICAL REFORM

RECORD: 285

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	China's leaders gather at the seaside resort of Beidaihe to discuss political reform. Action will be postponed, because of leadership misgivings. Discussion of political reform will be permitted, but adoption of any concrete steps will be put off. Any political structural reform must adhere to the party's leadership, and the four basic principles must not be abandoned.
Sources	Cheng Xiang, "News From Beidaihe," <u>Wen Wei Po</u> (Hong Kong), 8 August 1986, in FBIS/China, 11 August 1986, p.W1-2.
Item Date	86/08/08

RECORD: 286

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	<u>Beijing Review</u> reprints a portion of an August 1980 speech by Deng Xiaoping, "On the Reform of the System of Party and State Leadership." Deng identifies the major problems of the leadership of the party and the state as: bureaucracy; overconcentration of power; patriarchal methods; life tenure in leading posts; and privileges of various kinds. Deng says that if these problems are not confronted and reforms carried out, it will not be possible to meet the urgent needs of modernization, and the party could become seriously alienated from the masses.
Sources	<u>Beijing Review</u> , 11 August 1986, pp.15-19.
Item Date	86/08/11

RECORD: 287

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Deng Xiaoping recently called for less party interference in all affairs and suggested that the CCP Central Committee set an example. Less interference will not weaken party leadership, but excessive interference by the party weakens leadership. During a recent meeting with Premier Zhao Ziyang on economic reform Deng suggested that political reform should also be taken into account. The economic reform must be coordinated with the political reform.

## POLITICAL REFORM

### Continued

Sources "Deng Calls for Less Party Interference," Ta Kung Pao Weekly Supplement (Hong Kong), 14 August 1986, p.3.  
Item Date 86/08/14

RECORD: 288

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Scholars attending a meeting on the Chinese press call for further reform. They suggest a national press divided into a party press and a nonparty press, which would discuss political issues before decisions are made. One or two nonparty political journals could be established to provide a forum for free discussion.  
Sources "Press Reform Urged," China Daily (Beijing), 14 August 1986, p.4.  
Item Date 86/08/14

RECORD: 290

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators An editorial in Beijing Review claims that: "Practice has proved that if the political system is not revamped, it will be difficult to carry through the economic reform. Moreover, unless there is a breakthrough in the political reform, what has been achieved will not be consolidated and may even be undone." One of the factors in the recent downturn in the rate of industrial growth (which reached only 4.9 percent in the first half of 1986 instead of the planned 7 to 8 percent) was the attempt of higher level administrative bodies to take back the powers granted to enterprises to manage their own affairs.  
Sources Geng Yuxin, "Why The Political System Needs Further Reform," Beijing Review, 18 August 1986, p.4.  
Item Date 86/08/14

RECORD: 289

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Teng Teng, Deputy Director of the CCP Propaganda Department, tells a gathering of provincial newspaper editors that what they publish and do not publish should henceforth be decided by the newspaper offices rather

## POLITICAL REFORM

### Continued

than the party. Party committees should improve their leadership over newspapers and give newspaper offices a free hand to carry out press reforms to improve the papers' role as the party's ears and mouth. At the seminar, held in Harbin from 9 to 15 August, the editors reviewed Hu Yaobang's 8 February talk on journalism. While accepting the premise that the socialist nature of party newspapers will not change, they called on party committees to improve guidance over newspaper work, to be enlightened, and to refrain from too much intervention.

Sources Renmin Ribao (Beijing), 20 August 1986, in FBIS/China, 25 August 1986, p.K4.  
Item Date 86/08/20

### RECORD: 291

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	The State Council selects 16 medium-sized cities for experimental restructuring of municipal governments. The main goal of the reform is to reinforce coordination between managers of the local economy; streamline or merge some administrative sections; change the personnel system, and separate party work from government work. A major aspect of the reform will be to provide a better definition of the functions and responsibilities of administrative bodies.
Sources	"Experiment Under Way in City Management," <u>China Daily</u> (Beijing), 30 August 1986, p.1.
Item Date	86/08/30

### RECORD: 292

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Seasoned China watchers do not expect to see many political reform ideas actually implemented. They consider the current set of discussions, speeches, and articles as evidence that the economic reform program has bogged down and that reformers are searching for solutions. According to Yan Jiaqi, Director of the Chinese Academy of Social Science's Institute of Political Science, political reform will be discussed at forums following the late September 1986 meeting of the CCP Central Committee plenary session. The discussions will culminate with the September

## POLITICAL REFORM

### Continued

1987 CCP Party Congress, which is likely to issue instructions on how to proceed.

Sources James R. Schiffman, "China Moves Warily on Political Reform," Asian Wall Street Journal (Hong Kong), 2 September 1986, p.2.

Item Date 86/09/02

### RECORD: 293

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators On 3 September Deng Xiaoping tells a visiting Japanese delegation that China will handle political reform with circumspection because it is a very complicated job. He says that it is too late to include political reform on the agenda of the 6th plenary session of the CCP Central Committee, which will meet later in that month.

Sources Ta Kung Pao Weekly Supplement (Hong Kong), 4 September 1986, p.3.

Item Date 86/09/04

### RECORD: 294

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Song Tingming, Deputy Bureau Director of the State Commission for Economic Structural Reform, tells correspondents in Beijing that reforming government structures will take about 10 years. Political structural reform is aimed at solving four problems: party-government relations at all levels from the central authorities down to the localities; streamlining government organs; achieving a high degree of socialist democracy; and perfecting the socialist legal system. A great deal of work will be required to ensure that China's 24 million state workers understand and support the reforms, and this cannot be done by issuing an administrative order.

Sources Ta Kung Pao (Hong Kong), 13 September 1986, in FBIS/China, 16 September 1986, pp.K1-2..

Item Date 86/09/13

### RECORD: 301

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators The 6th Plenary Session of the 12th CCP Central Committee has evaded the most important and pressing issue--political

## POLITICAL REFORM

### Continued

#### Sources

reform. CCP leaders could not reach consensus on political reform, even after heated disputes and endless debates. According to the reformers, the CCP Central Discipline Inspection Commission, which is staffed with conservatives and followers of Chen Yun, has excessive powers and is interfering with too many matters to limit or halt economic reform. Lo Ping, "Deng Xiaoping Criticizes Chen Yun at Meeting," Cheng Ming (Hong Kong), 1 October 1986, in FBIS/China, 9 October 1986, pp.K10-16.

#### Item Date

86/10/01

RECORD: 295

#### Objectives Subobjectives Indicators

#### GOVERNMENT

#### Ideology

The Sixth Plenary Session of the CCP 12th Central Committee meets on 28 September after a 5-day preparatory meeting. It passes a resolution on socialist spiritual civilization, or, as Xinhua translates the terms, "building a socialist society with an advanced culture and ideology." Taking economic development as the central principle, China is to continue its economic and political reform, while speeding up cultural and ideological progress. The Central Committee aims to reform and perfect the party and state leadership systems, extend socialist democracy and improve the socialist legal system. It also affirms that it is essential to adhere to Marxism-Leninism and Mao Zedong Thought. Marxism is described as a guiding theory, one that is enriched and developed in practice. "It would be impossible to uphold Marxism if we rejected the overriding importance of practice and bringing forth new ideas. It is wrong to regard Marxism as a rigid dogma. It is also wrong to negate its basic tenets, view it as an outmoded theory and blindly worship bourgeoisie philosophies and social doctrines."

#### Sources

"CPC Session Passes Ideology Resolution," Beijing Review, 6 October 1986, pp.5-6.

#### Item Date

86/10/06

RECORD: 296

#### Objectives Subobjectives

#### GOVERNMENT Ideology



# POLITICAL REFORM

## Continued

Indicators

The late September 1986 plenary session of the CCP Central Committee was the first time in the post-Mao era that ideological questions have dominated a central committee meeting. This was in response to the challenges posed by such conservative leaders as Chen Yun at the national party conference in September 1985. Despite some obvious concessions to conservative sentiment, the thrust of the resolution passed by the session is strongly pro-reform. The resolution endorses political reform with two important qualifications--the leadership of the party and the people's democratic dictatorship are to be upheld, and concrete plans for political reform will be worked out by the central committee after "exhaustive investigation and study."

Sources

Robert Delfs, "Pragmatic Powwow: Reformists Prevail at Party Plenum," Far Eastern Economic Review (Hong Kong), 9 October 1986, p.14.

Item Date

86/10/09

RECORD: 297

Objectives  
Subobjectives  
Indicators

GOVERNMENT

Ideology

Deng Liqun, former Director, CCP Propaganda Department and generally identified with the more conservative, orthodox wing of the CCP, tells a correspondent of Asiaweek (Hong Kong) that the Central Committee's recent resolution on spiritual civilization went through eight or nine drafts over a nine-month period. The resolution was trimmed from 20,000 words to 10,000.

Sources

Lam Wo-lap, "A Talk With 'Mr. Left'," Asiaweek (Hong Kong), 12 October 1986, p.23.

Item Date

86/10/12

RECORD: 298

Objectives  
Subobjectives  
Indicators

GOVERNMENT

Ideology

A Beijing Review commentary on the "democratic wind" points out that the Chinese Constitution explicitly stipulates that the people are the masters of the state and should enjoy freedom of speech and freedom of the press. Referring to commentaries in Renmin Ribao and Gongren Ribao, the commentary quotes approvingly suggestions that people should be encouraged to express their own views on political issues. One scholar,

## POLITICAL REFORM

### Continued

writing in Renmin Ribao, has said that democracy is the foundation of our socialist country; it should not be a charity that is handed down by the leaders and can be withdrawn at any moment. Su Shaozhi, Director of the Chinese Academy of Social Science's Marxism-Leninism and Mao Zedong Thought Research Institute, has proposed perfecting the system under which Chinese officials are elected, suggesting that candidates should compete and voters should have choices.

Sources

An Zhiguo, "Fresh Progress in Democracy," Beijing Review, 13 October 1986, p.4.

Item Date

86/10/13

RECORD: 254

Objectives

GOVERNMENT

Subobjectives

Democratization

Indicators

The All-China Federation of Trade Unions announces the results of a survey in which 1 million staff members and workers participated. Seventy percent of those surveyed took a negative attitude toward the role of workers' congresses in examining major matters and supervising cadres. Over one-third of those responding felt that their relationships with cadres were worse than in the past. The Federation of Trade Unions says that: "The demand of staff and workers for participation in enterprise affairs is an irreversible trend. This trend should be followed to gradually implement the system of democratic election of enterprises' leading cadres."

Sources

Zhongguo Xinwen She (Hong Kong), 14 October 1986, in FBIS/China, 16 October 1986, p.K11.

Item Date

86/10/14

RECORD: 299

Objectives

GOVERNMENT

Subobjectives

Ideology

Indicators

The CCP Central Committee's recent resolution on "Socialist Culture and Ideology" is a complex and ambiguous document which can be interpreted in more than one way. The final sentence of the paragraph on democracy and the legal system is so carefully worded as to sound tentative. It says: "About this unusually complex work, after extensive investigation and research, the Party Center will make preparations and will take full

## POLITICAL REFORM

### Continued

leadership in proceeding by steps." Momentum has been building against reform. Conservative leaders Hu Qiaomu and Deng Liqun have commented on the Resolution in the Chinese media, but the speeches that Deng Xiaoping and Zhao Ziyang were reported (by the pro-Beijing Hong Kong press) to have made at the Plenum have not been published. On 1 October, in a break from normal practice, Renmin Ribao did not carry the usual National Day editorial. This suggests that the Plenum may have left the 20 members of the Political Bureau so divided as to be unable to issue directives on the interpretation of the Resolution.

#### Sources

"The Modernisation of Chinese Socialism: The Central Committee in Plenary Session, " China News Analysis (Hong Kong), No. 1321, 1 November 1986, pp.1-9.

#### Item Date

86/11/01

RECORD: 303

#### Objectives Subobjectives Indicators

#### GOVERNMENT Policy

Asiaweek (Hong Kong) claims that the CCP has recently established a "Leading Group for Political Reform" headed by Premier Zhao Ziyang. Its task is to lay out the parameters of political modernization. The group will work in the midst of a struggle within the party between conservatives, who wish to restrict political reform to reforming the cadre system and streamlining government organs, and liberals who stress popular participation and division of powers. Various provinces and cities are experimenting with new political forms, such as elections, elected supervisory councils, and the formation of interest groups such as Guangzhou's Association of Individual Enterprises, which represents 170,000 privately owned enterprises.

#### Sources

Asiaweek (Hong Kong), 9 November 1986, p.30.

#### Item Date

86/11/09

RECORD: 302

#### Objectives Subobjectives Indicators

#### GOVERNMENT Policy

Premier Zhao Ziyang at the current session of the National People's Congress introduces a motion calling for the establishment of a Ministry of Supervision, under which a system

## POLITICAL REFORM

### Continued

of checks and balances would be set up to make sure state policies are implemented and regulations observed by government departments. Vice Premier Qiao Shi says the new ministry would also deal with complaints and charges and examine disciplinary measures taken against government employees.

Sources

Xinhua (Beijing), 27 November 1986, in FBIS/China, 28 November 1986, pp.K2-3.

Item Date

86/11/27

RECORD: 304

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

The Standing Committee of the National People's Congress establishes the Ministry of Supervision. Vice Premier Qiao Shi points out that violators of party discipline are handled by the party's discipline inspection commissions, and law-breakers are handled by public security organs and the courts, but that there are no supervisory organs to deal with violators of administrative discipline. In the course of the reforms some government organs have failed to implement state policies, laws and regulations. A Ministry of Supervision existed in the 1950s, but was abolished in April 1959 "for certain reasons."

Sources

Xinhua, 2 December 1986, in FBIS/China, 2 December 1986, pp.K1-2.

Item Date

86/12/02

RECORD: 300

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

A commentary in Renmin Ribao reiterates that although the necessity and urgency of political structural reform has become more and more obvious, it also needs careful investigation and study. Since the issue is so complex, and no examples exist, political structural reform will be much more complicated than economic reform. The central leadership is now stepping up its work of investigation and study, and hopes to work out a feasible scheme on the basis of sufficient preparations within a year. While the urgency of political reform is felt, "We cannot be reckless and overanxious. We must handle things in an orderly way under systematic leadership from top to bottom, and no one can

## POLITICAL REFORM

### Continued

go his own way without permission from higher authorities."

Sources "Political Restructuring Needs To Go Through Full Investigation and Study," Renmin Ribao (Beijing), 8 December 1986, in FBIS/China, 9 December 1986, pp.K3-4.

Item Date 86/12/08

RECORD: 305

Objectives GOVERNMENT

Subobjectives Ideology

Indicators In an interview with Guangming Ribao, Fang Lizhi, an astrophysicist and vice president of the prestigious University of Science and Technology, discusses the social responsibilities of scientists and touches on the ideological consequences of academic freedom. Natural scientists around the world have called the attention of governments to such problems as environmental pollution, energy shortages, and disarmament and are aware of their responsibility to society. Since Marx wrote about classes, science and technology, as well as information and knowledge, have become important motive forces in society. Intellectuals, who create and control knowledge and information, are now the most dynamic component of the productive forces. Universities, where knowledge and information are created and transmitted, must have an atmosphere of democracy and freedom. "In a university environment there should be nothing that can only be upheld and that allows of no questioning of why it must be upheld. There should be no doctrine that can hold a leading or guiding position in an a priori way."

Sources "Intellectuals and Intellectual Ideology" Beijing Review, 15 December 1986, pp.16-17.

Item Date 86/12/15

RECORD: 306

Objectives GOVERNMENT

Subobjectives Ideology

Indicators Ni Zhengmao, of the Institute of Juristic Studies of the Shanghai Academy of Social Sciences, calls for giving intellectuals and science and technology a constitutional and legal status. His position would seem to imply a special political role for intellectuals, or at least the scientific and technical

## POLITICAL REFORM

### Continued

intelligensia, presumably at the expense of poorly educated party cadres. He argues that the only way to narrow the gap between China and the advanced countries is to give precedence to science and technology, and that therefore the principle of relying on intellectuals for China's economic development should be laid down in law. Intellectuals will be the principal component of the future working class and are already the most revolutionary component, the backbone and mainstay of China's working class.

Sources

Ni Zhengmao, "Establishing Intellectuals' Constitutional Status," Beijing Review, 15 December 1986, p.18.

Item Date

86/12/15

RECORD: 307

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

A circular of the Organization Department of the CCP Central Committee calls for all regions and departments to mobilize their rank and file to make public assessments of the qualities and achievements of leading officials at county level and above. The assessments, to be made in late 1986 and early 1987, will be attended by the staff of the unit, representatives of the general public, and leaders of the unit's subordinate organizations. Secret ballots will be held to determine a leading official's competence. The proposed public assessment, which reflects practices in Guangdong Province, is one way to crack the "iron rice bowl" of lifetime tenure of office.

Sources

"Public Assessment Helps End Life Tenure," Beijing Review, 22 December 1986, pp.5-6.

Item Date

86/12/22

RECORD: 308

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

Commentary in the overseas edition of Renmin Ribao points out that political structural reform can only be carried out under party leadership in an orderly and step-by-step manner. "Great Democracy," involving the free airing of views by young students, big-character posters, and great debates, was used during the Cultural Revolution to deceive

## POLITICAL REFORM

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the masses. It can only lead to rampant anarchy. Those who suffered most in the Cultural Revolution were precisely the young people of the period.

#### Sources

"Political Structural Reform Can Only Be Carried Out Under Party Leadership," Renmin Ribao Overseas Edition (Beijing), 25 December 1986, in FBIS/China, 29 December 1986, pp.K20-21.

#### Item Date

86/12/25

RECORD: 309

#### Objectives

GOVERNMENT

#### Subobjectives

Policy

#### Indicators

He Dongchang, Vice Minister of the State Education Commission, discusses student demonstrations for democracy and reform. He gives the first official commentary on the student demonstrations, which have received so much attention from foreign media. He points out that little more than one percent of China's over 2 million college students have taken part in the demonstrations and holds that building democracy in China should be carried out under the leadership of the CCP and through proper procedures.

#### Sources

Xinhua (Beijing), 30 December 1986, p.K1.

#### Item Date

86/12/30

# ECONOMIC REFORM

## RECORD: 168

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Premier Zhao Ziyang, addressing a national conference on planning and economic work, says that the major task for 1986 will be to "consolidate, digest, supplement and improve" 1985's achievements in reform. No major new steps in price reform will be taken in 1986. He calls for the promotion of "horizontal" economic ties between departments and regions.
Sources	Xinhua, (Beijing), 17 January 1986, in FBIS/China, 22 January 1986, pp. K1-3.
Item Date	86/01/17

## RECORD: 169

Objectives	ECONOMIC
Subobjectives	New Laws
Indicators	A bankruptcy law is being drafted by a special group set up by the National People's Congress, the State Council, the Supreme People's Court and other unspecified central departments. The bankruptcy law is intended to be a key part of urban economic reform, providing sanctions for poor management.
Sources	<u>Ta Kung Pao Weekly Supplement</u> (Hong Kong), 23 January 1986, p. 3.
Item Date	86/01/23

## RECORD: 170

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	The Liaoning Provincial CCP Committee and the Provincial People's Government forbid any administrative body from levying fees on basic level enterprises. The document states: "The financial, auditing, banking, price and industrial and commercial departments are strictly prohibited from . . . fixing excessive service charges and collecting unwarranted fees."
Sources	<u>Liaoning Ribao</u> , 9 January 1986, in FBIS/China, 4 February 1986, p. S7
Item Date	86/02/04

## RECORD: 171

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	The Anhui Provincial Government issues a notice on protection of the legitimate rights of self-employed workers and businessmen. Local industrial and commercial departments



## ECONOMIC REFORM

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are forbidden to levy unauthorized fees, delay permission for licenses, impose new taxes, destroy shops or stalls, or to refuse to supply goods or raw materials to self-employed workers and businessmen.

Sources Anhui Provincial Radio Broadcast, 18 February 1986, in FBIS/China, 26 February 1986, p.01.  
Item Date 86/02/26

### RECORD: 172

Objectives ECONOMIC  
Subobjectives Management  
Indicators Renmin Ribao reports the "correct" decision of a Yingkou City (Liaoning) CCP Municipal Committee to support a reform-minded factory manager in his dispute with the factory party committee and some plant cadres. Renmin Ribao calls for support of reformers and managers who take risks to improve productivity.  
Sources Renmin Ribao (Beijing), 13 February 1986, in FBIS/China, 26 February 1986, pp. K1-3.  
Item Date 86/02/26

### RECORD: 173

Objectives ECONOMIC  
Subobjectives Markets  
Indicators The Director of the State Administration of Supplies, Ling Yuxun, announces that the scope of market exchanges of such basic commodities as steel, cement, timber and coal has increased. In Suzhou, 75 percent of the steel, 70 percent of the coal, and 44 percent of the timber is now provided by the market rather than central allocation.  
Sources China Daily (Beijing), 11 March 1986, p. 4.  
Item Date 86/03/11

### RECORD: 174

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Speaking at the first National Conference on Restructuring the Urban Economic System, Premier Zhao Ziyang reiterates his call for further "horizontal" links between enterprises and elimination of administrative barriers to economic exchange and cooperation.  
Sources China Daily, (Beijing), 17 March 1986, p. 1.  
Item Date 86/03/17

## ECONOMIC REFORM

### RECORD: 175

Objectives	ECONOMIC
Subobjectives	Price reform
Indicators	Vice Premier Tian Jiyun says the main objective of price-related work in 1986 is to keep prices basically stable. Although price reform is a necessary long-term goal, it requires careful study and preparation.
Sources	Xinhua (Beijing), 22 March 1986, in FBIS/China, 24 March 1986, pp. K11-12.
Item Date	86/03/24

### RECORD: 176

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Presenting the draft of the Seventh 5-Year Plan (1986-1990) to the National People's Congress, Premier Zhao Ziyang calls for further economic reforms. The Plan envisages further decentralization, extension of market exchange, decisionmaking powers for enterprise managers, and new macroeconomic regulators to replace administrative control over enterprises and exchanges.
Sources	Xinhua (Beijing), 25 March 1986, in FBIS/China, 25 March 1986, pp. K9-11.
Item Date	86/03/25

### RECORD: 177

Objectives	ECONOMIC
Subobjectives	New Laws
Indicators	The State Council issues new regulations on "horizontal" economic associations. Such associations must be formed voluntarily, cannot be restricted by barriers between regions, administrative departments or sectors, are to receive support from banks and, in some cases, tax reductions. Double taxation of associations is prohibited.
Sources	Xinhua (Beijing), 23 March 1986, in FBIS/China, 27 March 1986, pp. K28-29.
Item Date	86/03/27

### RECORD: 178

Objectives	ECONOMIC
Subobjectives	Management
Indicators	The managers of 20 state-run Beijing factories producing chemicals, machines, and textiles sign contracts specifying targets for profits, quality of goods, and technological innovation. Their salaries and

## ECONOMIC REFORM

### Continued

job retention will depend on their success in reaching the targets.

#### Sources

Xinhua (Beijing), 5 April 1986, in JPRS  
CEA-86-050, 29 April 1986, p.141.

#### Item Date

86/04/05

### RECORD: 1

#### Objectives

ECONOMIC

#### Subobjectives

New Laws

#### Indicators

The National People's Congress adopts the general provisions of the civil law. The new code defines legal persons, and agency and property rights. One third of its provisions define the legal status of economic entities, including the rural contract production household and urban household enterprises. One purpose of the new legal code is to create a legal framework within which state and collective enterprises can interact on a voluntary, contractual basis.

#### Sources

Far Eastern Economic Review (Hong Kong), 17  
April 1986, p .52.

#### Item Date

86/04/17

### RECORD: 164

#### Objectives

ECONOMIC

#### Subobjectives

Price reform

#### Indicators

During a meeting with some well-known Hong Kong personages in April, Deng indicates that the reform of the pricing system is most sensitive and the commodity prices have been basically stabilized in China. In 1985 China's reform policies were accelerated too fast. Therefore, in 1986 China is to reduce the speed of implementation in order to digest, readjust, and strengthen the reforms, to prepare for the new policies for 1987. He further states that the Seventh 5-Year Plan is designed to do a good job for the reforms. Hou Tung-hai. "Deng Xiaoping Hopes that Basic Law Will be Drawn Up Well." Ta Kung Pao (Hong Kong) in Chinese 20 April 1986, p. 1. in FBIS/China 21 April 1986, p. W1.

#### Sources

#### Item Date

86/04/20

### RECORD: 179

#### Objectives

ECONOMIC

#### Subobjectives

Management

#### Indicators

The State selects 6,400 large and medium enterprises (which produce 66 percent of the state income) to be pace setters in management

## ECONOMIC REFORM

### Continued

modernization. The State has set targets for improving the quality of goods and for reducing the consumption of energy and raw materials.

Sources Xinhua (Beijing), 26 April 1986, in JPRS  
CEA-86-059, 15 May 1986, p.10.

Item Date 86/04/26

### RECORD: 181

Objectives ECONOMIC  
Subobjectives Personnel  
Indicators

The national meeting of labor and personnel bureau directors announces that during the Seventh 5-Year Plan (1986-1990) the reform of the wage and hiring systems will have priority. The goals are to establish equity and comparability of wages among enterprises, to devise systems that will reward effort, and to gradually adopt a new hiring system that will promote the rational flow and use of labor resources and of cadre talents.

Sources Xinhua (Beijing), 7 May 1986, in FBIS/China,  
9 May 1986, pp. K17-18.

Item Date 86/05/07

### RECORD: 180

Objectives ECONOMIC  
Subobjectives Policy  
Indicators

The Director of the State Administration for Commerce and Industry, addressing a national conference in Beijing, reiterates that party and government departments and their cadres are forbidden to run enterprises or to use their position to seek commercial advantage. He reports that in 1985 the licenses of over 8,700 enterprises run by party and government departments were revoked, and another 15,000 enterprises were separated from their founding departments to be run independently.

Sources Xinhua (Beijing), 8 May 1986, in FBIS/China,  
9 May 1986, p. K16.

Item Date 86/05/08

### RECORD: 182

Objectives ECONOMIC  
Subobjectives Decentralization  
Indicators

The Ministry of the Electronics Industry announces that it has put all of its 172 enterprises under local administrative control. The enterprises will operate as

## ECONOMIC REFORM

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Sources "relatively independent" organizations responsible for their own profits and losses. Xinhua (Beijing) in US-China Economic Journal (New York), 14 May 1986, p. 4.

Item Date 86/05/14

### RECORD: 183

Objectives ECONOMIC  
Subobjectives Management  
Indicators In an experiment, 47 State-owned factories in Shenyang have been leased to managers who have full power over the factories' operations, including the right to hire and fire workers. The managers have a right to a share of the profits, but must compensate the State if they fail to meet their contracted quota and run at a loss.

Sources Xinhua (Beijing), in Ta Kung Pao Weekly Supplement (Hong Kong), 22 May 1986, p. 3.

Item Date 86/05/22

### RECORD: 185

Objectives ECONOMIC  
Subobjectives Problems  
Indicators Economic Daily (Beijing) reports that a survey of Beijing factories shows that in many cases State Council regulations on enterprise autonomy, taxation and use of resources are ignored, and power over factories is held by "administrative corporations" which are but local government offices under a new name.

Sources China Daily (Beijing), 5 June 1986, p. 7.

Item Date 86/06/05

### RECORD: 187

Objectives ECONOMIC  
Subobjectives Problems  
Indicators Beijing Review reports widespread complaints by factory managers that decision-making powers supposedly given them by the State Council in May 1984 regulations have never actually been granted. Factory managers, described as angry and on the verge of resigning, believe the key lies in comprehensive reform of other departments such as the local administrative companies that "supervise" them.

Sources Beijing Review, 16 June 1986, pp. 6-7.

Item Date 86/06/16

## ECONOMIC REFORM

### RECORD: 186

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	A provincial factory director, fired in December 1985 for "going too far in management reform," is reinstated with greater decisionmaking powers after his case is given wide publicity by <u>Renmin Ribao</u> . The leadership of the Zhengzhou Number Two Transport Company, responsible for firing the director, is reported to have been replaced.
Sources	<u>China Daily</u> (Beijing), 17 June 1986, p. 3.
Item Date	86/06/17

### RECORD: 188

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	The State Council issues a circular on reform of the commercial system. It calls for promotion of horizontal links between enterprises and between regions, further decentralization of commerce, and State regulation of commerce and markets through indirect, macroeconomic means.
Sources	<u>China Daily</u> (Beijing), 26 June 1986, p. 1.
Item Date	86/06/26

### RECORD: 217

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Premier Zhao Ziyang, on an official visit to Yugoslavia, gives an interview on China's economic reform. The reform now has three interrelated goals: to make enterprises more dynamic; to develop a market system; and to establish macroeconomic regulatory mechanisms. He tells his Yugoslav interviewer that among China's party and government leaders there are no differences in carrying out reform, and notes that the November 1984 "Decision on the Reform of the Economic Structure" was unanimously adopted by a plenary session of the party Central Committee.
Sources	"Zhao Speaks On Economic Reform," <u>China Daily</u> , (Beijing), 12 July 1986, p.4.
Item Date	86/07/12

### RECORD: 218

Objectives	ECONOMIC
Subobjectives	Employment System
Indicators	As part of the ongoing experiments with the employment system, 10 million workers, 15

## ECONOMIC REFORM

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percent of the entire work force in the state-run sector, are now under a system linking their wages to the economic results of their enterprises. This system applies to the mining and construction industries, but the rail and water transport organizations as well as the cement industry began using similar wage systems in 1986. The use of employment contracts with a fixed term ( 2 years or 5 years) rather than appointment to lifetime jobs is becoming more common, and 3.5 million workers are now employed on a contractual basis.

Sources Zhang Xiaogang, "Cracks Start To Show in 'Iron Rice Bowl'," China Daily, (Beijing), 15 July 1986, p.4.  
Item Date 86/07/15

### RECORD: 219

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The Shenyang Explosion-Proof Instrument Factory is formally declared bankrupt. This is China's first bankruptcy since 1949. It was one of three Shenyang factories to be officially warned of impending bankruptcy in the summer of 1985. The other factories solved their financial problems.  
Sources "Bankrupt Firm is First Since 1949," China Daily, (Beijing), 18 July 1986, p.3.  
Item Date 86/07/18

### RECORD: 223

Objectives ECONOMIC  
Subobjectives Employment  
Indicators The State Council issues a circular on the employment of scientists and technical personnel. It proposes the gradual introduction of recruitment programs for institutes, which will offer positions to individuals (instead of accepting personnel assigned by local labor or cadre bureaus). Personnel will be able to accept or refuse the job offers. Scientists and technicians who feel their abilities are not being properly utilized may submit written resignations. Specific regulations governing resignations are being drafted by the State Science and Technology Commission and the Ministry of Labor and Personnel.  
Sources Xinhua (Beijing), 22 July 1986, p.K15.

ECONOMIC REFORM

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Item Date 86/07/22

RECORD: 220

Objectives ECONOMIC  
Subobjectives Markets  
Indicators An increasing number of Chinese firms are selling securities to raise funds. Securities are being sold as an experiment in 13 provinces and major cities, and a secondary securities market has appeared in Shanghai where discounting and rediscounting of commercial paper is becoming common. To ensure orderly development of the new methods of financing, the state is drafting provisional regulations on issuance of shares and bonds.

Sources Zhao Jinming, "Enterprises Raise Funds in New Way." China Daily (Beijing), 25 July 1986, p.2.

Item Date 86/07/25

RECORD: 221

Objectives ECONOMIC  
Subobjectives Employment  
Indicators The contract system of employment will be implemented in all state-owned enterprises. Ming Pao (Hong Kong) reports that the State Council has issued a circular ordering state-owned enterprises to stop recruiting or transferring workers and cadres between 18 June and 30 September 1986, and to cease the practice of "children replacing parents in jobs." Work assignments for college and technical school graduates and for demobilized PLA men in urban areas are to continue as usual.

Sources Ming Pao (Hong Kong), 29 July 1986, p.5, in FBIS/China, 6 August 1986, p.W10.

Item Date 86/07/29

RECORD: 222

Objectives ECONOMIC  
Subobjectives Management  
Indicators The Shanghai Municipal Government will disband all its 77 industrial companies, which are actually administrative organs. This is being done to improve economic efficiency and to permit enterprises to have greater autonomy and to form partnerships and cooperative arrangements that cross administrative boundaries,



## ECONOMIC REFORM

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Sources Xinhua (Beijing), 30 July 1986, in  
FBIS/China, 31 July 1986, p.02.  
Item Date 86/07/30

### RECORD: 224

Objectives ECONOMIC  
Subobjectives Markets  
Indicators In an effort to improve service, the  
Ministry of Commerce has leased 64,000  
state-owned shops, restaurants, barbershops,  
and bathhouses to individuals or collectives.  
Some of these shops will become the property  
of individuals when the leases expire.  
Sources China Daily (Beijing), 4 August 1986, p.2.  
Item Date 86/08/04

### RECORD: 225

Objectives ECONOMIC  
Subobjectives Markets  
Indicators China's first market for negotiable  
securities opens on 5 August 1986 in Shenyang.  
The market, operating on an experimental  
basis, will deal in bonds issued by industries  
and companies, but currently will not handle  
other negotiable securities such as treasury  
bonds or company shares.  
Sources China Daily (Beijing), 7 August 1986, p.2.  
Item Date 86/08/07

### RECORD: 226

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The Wuhan Municipal Government warns two  
state-owned factories that unless they halt  
their financial losses within a year they will  
be declared bankrupt. The two factories are  
the Wuhan Experimental Cloth Mill, employing  
890 workers, and the Wuhan Measuring and  
Cutting Tools Factory. The only factory to be  
declared bankrupt so far was a small,  
collectively-owned factory in Shenyang which  
employed 72 workers.  
Sources Xinhua (Beijing), 10 August 1986, in  
FBIS/China, 11 August 1986, p.P4.  
Item Date 86/08/11

### RECORD: 227

Objectives ECONOMIC  
Subobjectives Monetary System  
Indicators Liu Hongru, Vice-Governor of the People's  
Bank of China, says that within the next 2

## ECONOMIC REFORM

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years China will establish a rational interest rate system, open money markets, and strengthen exchange control. Addressing delegates to the second annual meeting of the China Monetary Society, he says that money markets will be opened step-by-step. Currently, efforts are concentrated on setting up bank loan markets, commercial bill markets, and short-term security markets.

#### Sources

"China To Reform Monetary System," China Daily (Beijing), 16 August 1986, p.2.

#### Item Date

86/08/16

RECORD: 228

#### Objectives

ECONOMIC

#### Subobjectives

Problems

#### Indicators

According to a survey reported in Shanghai's Jiefang Ribao, more than half the managers of electronics factories are "fed up with their jobs." Managers complain that they face too much risk with neither proper compensation nor legal protection. Their difficulties include an increase in the number of offices that supervise their operation in the name of "restructuring," failure of decisionmaking powers granted them by the State Council to actually reach managers, continued control of finances and personnel by municipal banks and labor bureaus, and the continued hold on decisions by factory party committees.

#### Sources

"Factory Directors Fed Up," China Daily (Beijing), 26 August 1986, p.3.

#### Item Date

86/08/26

RECORD: 229

#### Objectives

ECONOMIC

#### Subobjectives

Policy

#### Indicators

The Beijing-based Institute for Economic Restructuring releases the results of an opinion poll administered to 2,518 people in 23 cities. Nearly 93 percent of those polled are of the opinion that economic reform is essential. Their greatest complaint was the abuse of power for personal gain by government and party officials.

#### Sources

Xinhua (Beijing), 27 August 1986, in FBIS/China, 28 August 1986, p.K23.

#### Item Date

86/08/27

## ECONOMIC REFORM

RECORD: 230

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	According to unnamed analysts quoted by <u>Asiaweek</u> (Hong Kong), the current approach to urban reform resembles that used in the introduction of the rural responsibility system in 1980-81. Reformist leaders are said to be giving subtle, behind-the-scenes support to pet projects like joint stock companies and the leasing of state enterprises to managers or groups of workers. Those experiments that prove successful will be publicized, while those that run into difficulties can be modified or abandoned without risking the prestige of the leaders.
Sources	"China Unleashes a New Wave," <u>Asiaweek</u> (Hong Kong), 31 August 1986, pp.49-52.
Item Date	86/08/31

RECORD: 232

Objectives	ECONOMIC
Subobjectives	Employment
Indicators	According to the deputy director of the State Commission for Restructuring the Economic System, new regulations on the contract labor system will be promulgated this year. Under the new regulations, enterprises must select workers who have the best scores on public examinations. Dismissal and resignation from jobs are to be allowed. The wages and working conditions of contract workers must be the same as those of the former permanent workers. A social insurance scheme for retired contract workers will be introduced. The labor reforms are intended to promote the rational movement of labor, to bring the initiative of workers into full play, and to help lay the foundations for a dynamic, socialist economic structure.
Sources	"Rules on Labor Contract System," <u>Beijing Review</u> , 1 September 1986, p.8.
Item Date	86/09/01

RECORD: 231

Objectives	ECONOMIC
Subobjectives	Employment
Indicators	The State Council has prepared four sets of regulations on employment in state enterprises, that will go into effect on 1 October 1986. The regulations cover recruitment, dismissal, use of contracts, and

## ECONOMIC REFORM

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unemployment insurance. The reform will end the current system under which workers are assigned to jobs with life tenure. All government institutions, state-owned enterprises, and mass organizations are to use labor contracts for workers hired after 1 October. Enterprises will be able to dismiss workers who violate work rules. Unemployment insurance will be available for workers whose enterprises have gone bankrupt or have been forced to cut their workforce, for those dismissed from jobs for violation of work rules, and for those workers whose contracts have expired. A new pension system will be established for contract workers.

Sources Xu Yuanchao, "Labour Reform Set To Go Nationwide," China Daily (Beijing), 3 September 1986, p.1.  
Item Date 86/09/03

### RECORD: 233

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The 17th session of the Standing Committee of the National People's Congress closes in Beijing without passing a bankruptcy law, although Chinese media had been announcing the imminent adoption of such a law. Xinhua reports simply that: "Since the members of the NPC Standing Committee still have major disagreements over the draft bankruptcy law, the chairman and vice-chairmen proposed that no decision be taken and that the law be further studied and revised."

Sources Xinhua (Beijing), 5 September 1986, in FBIS/China, 8 September 1986, p.K1.  
Item Date 86/09/05

### RECORD: 235

Objectives ECONOMIC  
Subobjectives Markets  
Indicators On 26 September 1986, China's first stock market since 1949 opens in Shanghai. The market offers stocks of two corporations - Yangzhong Industrial Corporation and Feile Acoustics Corporation. The stock market is managed by the Shanghai Trust and Investment Company, which acts as agent for both buyer and seller, charging each a .3 percent commission. All dealings are in cash.

## ECONOMIC REFORM

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Sources Zhen Fan, "First Stock Market Open in Shanghai," China Daily, (Beijing), 27 September 1986, p.2.  
Item Date 86/09/27

RECORD: 236

Objectives ECONOMIC  
Subobjectives Employment  
Indicators The Beijing Municipal Government will institute a new pension system covering workers at all the city's state-owned enterprises. After January 1987 all enterprises will contribute 11.5 percent of their wage disbursements to the fund, which will become the sole source of pensions for the city's retired workers regardless of the enterprise for which they worked. The former system, under which each enterprise was responsible for pensions, caused some older enterprises to pay out 20 to 30 percent of their wage fund in pensions, making it difficult for them to compete with newer enterprises. Although some newer enterprises with few or no retirees are reluctant to participate in the fund, they are urged by the head of the Beijing Labor Security Bureau not to be selfish.

Sources Niu Qiuxia, "Pension Fund Set Up in Beijing," China Daily (Beijing), 30 September 1986, p.3.  
Item Date 86/09/30

RECORD: 247

Objectives ECONOMIC  
Subobjectives Marketing  
Indicators The State Material Supply Bureau's monopoly on the allocation of industrial raw materials has been curtailed. The state bureau now controls the allocation of only 23 kinds of material, whereas previously it controlled 256 items. In 1985 enterprises obtained 38 percent of their steel, 46 percent of their timber and 61 percent of their cement through noncentrally controlled channels such as municipal supply centers or markets. However, enterprises now suffer from losses because of their inability to raise the prices of their products to reflect increased costs of raw materials.

Sources China Daily (Beijing), 4 October 1986, p.4.  
Item Date 86/10/04

# ECONOMIC REFORM

RECORD: 248

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Guangdong provincial authorities are reported ready to close down ten state-owned enterprises that are hopelessly insolvent. The workers at the bankrupt factories will receive unemployment benefits equal to 70 percent of their former wages until they find new jobs.
Sources	<u>Ta Kung Pao Weekly Supplement</u> (Hong Kong), 9 October 1986, p.3.
Item Date	86/10/09

RECORD: 250

Objectives	ECONOMIC
Subobjectives	Management
Indicators	On 15 September 1986, the CCP Central Committee and the State Council promulgate three regulations on factory managers and factory party branches. The "Regulations on the Work of Directors on Industrial Enterprises Owned by the Whole People," the "Regulations on the Work of Grass-Roots Party Organizations of Industrial Enterprises owned by the Whole People," and the "Regulations on the Congresses of Staff and Workers of Industrial Enterprises Owned by the Whole People" are an attempt to demarcate the responsibilities of factory managers and of party branches and their secretaries. A circular accompanying the regulations urges everyone involved to cooperate for the common good. It says that giving factory managers full responsibility for production, profits, and fulfillment of contracts and plan targets "should not be regarded as being in conflict with ... party leadership over enterprises." Party organizations are to "vigorously help factory directors fulfill targets they are responsible for." The party branch is also responsible for "supervising proper implementation of all party guidelines and policies by an enterprise and its director."
Sources	Xinhua (Beijing), 20 October 1986, in FBIS/China, 27 October 1986, pp.K1-3.
Item Date	86/10/20

RECORD: 251

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	The coastal area of Wenzhou in southern Zhejiang is held up as a model for rural

## ECONOMIC REFORM

### Continued

development. A densely populated area in which two-thirds of the workers in the countryside were considered surplus, Wenzhou has prospered since 1979 by encouraging household industry, production of minor commodities with large potential markets, and the export of specialized labor to other areas of China. Over 400,000 people now work in cooperatives and partnerships, and another 400,000 work in commerce, transportation, information (collecting marketing information), catering services, and as migrant tailors, barbers and cooks (known locally as "the three blades"). The "Wenzhou Model" is based on household and small-scale production of "small commodities with big sales" like buttons. Premier Zhao Ziyang, Vice Premier Wan Li, and several State Councillors have visited Wenzhou, as have numerous economists and journalists.

Sources

Beijing Review (Beijing), 20 October 1986, pp.14-24.

Item Date

86/10/20

RECORD: 252

Objectives

ECONOMIC

Subobjectives

Policy

Indicators

A member of the State Planning Commission identifies loosening of state control over enterprises and encouraging free trade in raw materials as priorities for economic reform over the next 5 years. By 1990, most state-owned enterprises will be responsible for their own profits and losses. The state will gradually allow more and more raw materials to be traded on free markets with prices allowed to fluctuate with supply and demand.

Sources

China Daily (Beijing), 21 October 1986, p.2.

Item Date

86/10/21

RECORD: 253

Objectives

ECONOMIC

Subobjectives

Management

Indicators

Gu Ming, head of the State Council's Economic Legislation Research Center, announces that the system of managerial responsibility which has been in operation on an experimental basis in six major cities for the past 3 years will now be extended to all state enterprises. The three regulations on managerial responsibility, enterprise party

## ECONOMIC REFORM

### Continued

branches and staff and workers' congresses, which were issued in September by the CCP Central Committee and the State Council, will ensure that directors have total responsibility for production. Over the next 2 years the system will be introduced to all 86,000 state industrial enterprises throughout the country which have not previously adopted it.

Sources Liu Dizhong, "State To Expand 'Director Power' Scheme," China Daily (Beijing), 23 October 1986, p.1.  
Item Date 86/10/23

### RECORD: 255

Objectives ECONOMIC  
Subobjectives Markets  
Indicators A multifunctional financial market, considered the largest of its kind in China, opens in Wuhan. The market has four sections: commercial funds; stock transfers; bill discounts; and adjustments of foreign currency distribution among enterprises. It is open for business every Friday, but registration and special financial matters are handled every day. On the first day more than 400 representatives of banks, credit cooperatives, insurance companies and enterprises from 25 cities were present.  
Sources China Daily (Beijing), 27 October 1986, p.1.  
Item Date 86/10/27

### RECORD: 256

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Four nongovernmental financial institutions open in Guangzhou on 28 October. They are credit cooperatives which are run by neighborhood communities on a collective basis. They mainly handle deposits, loans, and insurance for collective enterprises, self-employed people, and neighborhood residents. Interest on deposits must conform to that paid by state banks, but rates for loans may float within set limits. Since their business hours are much longer than state banks, the credit co-ops are very popular.  
Sources Ta Kung Pao Weekly Supplement (Hong Kong), 30 October 1986, p.3.  
Item Date 86/10/30



## ECONOMIC REFORM

### RECORD: 257

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Beginning in 1987 the State Planning Commission will directly set production targets for some large state enterprises without going through related government departments or provincial authorities. Some intermediate links in the administrative structure will be abolished, and the enterprises will have greater freedom in production and technological processes.
Sources	<u>China Daily</u> (Beijing), 30 October 1986, p.3.
Item Date	86/10/30

### RECORD: 258

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Shanghai opens its first real estate market since 1949. On the first day the Shanghai Real Estate Society sells 93 apartments.
Sources	Xinhua (Beijing), 3 November 1986, in FBIS/China, 3 November 1986, p.04.
Item Date	86/11/03

### RECORD: 259

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Rural prosperity is aided by a growing number of cooperative or private banks. In Wenzhou, Zhejiang Province, such banks supply 80 percent of the funds needed by the 130,000 industrial and commercial enterprises run by local peasant families. Most nongovernmental banks were established in the past year (1985-86) in coastal provinces such as Guangdong or Jiangsu. They are owned by groups of enterprises, by several people, or by individuals.
Sources	Xinhua (Beijing), 3 November 1986, in JPRS-CEA-86-125, 19 December 1986, p.31.
Item Date	86/11/03

### RECORD: 260

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	The State Planning Commission and the State Economic Commission issue a circular stating that in 1987 China will open the scrap iron and steel market and will cancel the mandatory recovery plan. No more scrap iron and steel will be delivered to the state, and key

## ECONOMIC REFORM

### Continued

metallurgical industries will obtain the scrap they need by trading rolled steel products for it or by purchasing it.

#### Sources

Xinhua (Beijing), 9 November 1986, in FBIS/China, 17 Novemer 1986, p.K17.

#### Item Date

86/11/09

### RECORD: 261

#### Objectives

ECONOMIC

#### Subobjectives

Prices

#### Indicators

After deregulating the prices of seven categories of industrial consumer goods, including black-and-white television sets, washing machines, and bicycles, China has now lifted price controls on 749 small commodities for daily use. In recent years the controlled prices of such goods have been so low that factories have not wanted to produce them nor stores to stock them. Output and variety have declined, and some have disappeared from the stores. Deregulating prices and widening price differences to reflect quality will help to boost production and adjust the product mix.

#### Sources

Jingji Daobao (Hong Kong), 10 November 1986, in JPRS-CEA-87-003, 15 January 1987, p.2-3.

#### Item Date

86/11/10

### RECORD: 262

#### Objectives

ECONOMIC

#### Subobjectives

Policy

#### Indicators

On 8 November 1986 the Beijing Municipal Government auctions off seven state-owned commercial enterprises to private individuals. Competition to purchase the shops, restaurants and bicycle repair enterprises is keen.

#### Sources

Chen Yulei, "7 Stores in Beijing Auctioned to Private Owners," Ta Kung Pao Weekly Supplement (Hong Kong), 13 November 1986, p.1.

#### Item Date

86/11/13

### RECORD: 263

#### Objectives

ECONOMIC

#### Subobjectives

Policy

#### Indicators

According to a national conference on state farms, some 600,000 family farms now operate within China's 2,000 state farms. Under the system introduced in 1983, any of the five million state farm workers can contract to work a piece of land belonging to the state farm. Family farmers may count on the state farms for technical assistance and supplies of

## ECONOMIC REFORM

### Continued

local materials and may also hire a few farm hands.

Sources China Daily (Beijing), 15 November 1986,  
p.1.  
Item Date 86/11/15

### RECORD: 264

Objectives ECONOMIC  
Subobjectives Markets  
Indicators A money market, claimed as China's largest,  
opens in Taiyuan, capital of Shanxi Province.  
The market, run by the Industrial and  
Commercial Bank of Taiyuan, handles loans,  
bill discounts, and transfers of bonds. It  
also offers services to other parts of the  
country. On the first day of trading 110  
million yuan (\$30 million) was loaned and  
190,000 yuan (\$51,000) worth of bonds was  
sold.  
Sources Xinhua (Beijing), 16 November 1986, in  
FBIS/China, 18 November 1986, p.R1.  
Item Date 86/11/16

### RECORD: 265

Objectives ECONOMIC  
Subobjectives Problems  
Indicators Two months after opening, Shanghai's first  
stock exchange is inactive, because of a lack  
of shares to be sold. The only shares traded  
on the exchange are those of two local  
companies, and while hundreds of people wish  
to purchase them, no one wants to sell.  
Restrictions on the prices (which reflect  
official fear of speculation) mean that little  
or no profit can be had from selling the  
stock, and this is thought to be one factor in  
the exchange's inactivity.  
Sources Ta Kung Pao Weekly Supplement (Hong Kong),  
27 November 1986, p.3.  
Item Date 86/11/27

### RECORD: 266

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Shijiazhuang, capital of Hebei Province,  
opens a capital goods market on an  
experimental basis. Local enterprises are  
permitted to buy capital goods such as steel  
or timber if they cannot obtain them from the  
state's supply departments. They also are  
permitted to sell goods allocated to them by

## ECONOMIC REFORM

### Continued

the state but not needed for production. The municipal supply bureau is now acting as a wholesaler and purchasing agent, finding reliable suppliers of steel, coal and cement. As the scope of the market has grown, the price of these commodities has been stabilized or reduced.

Sources "Capital Goods Mart: Child of the Reform,"  
Beijing Review, 1 December 1986, pp.6-7.  
Item Date 86/12/01

### RECORD: 268

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy

The text of the trial bankruptcy law, adopted by the National People's Congress Standing Committee on 2 December 1986, contains a number of provisions limiting its applicability. Creditors may apply to have a state enterprise declared bankrupt by the local court. However, the enterprise will not be declared bankrupt if it is a public utility or one having "an important bearing on the national economy" and to which a relevant government department is providing financial aid. If an enterprise has found a guarantee and will pay off its debts within 6 months, it will not be declared bankrupt. Bankruptcy procedures will be discontinued if a higher competent department asks to consolidate the enterprise and the enterprise reaches a reconciliation agreement with its creditors.

Sources Xinhua (Beijing), 2 December 1986, in  
FBIS/China, 5 December 1986, pp.K1-7.  
Item Date 86/12/02

### RECORD: 267

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy

After many revisions, China's National People's Congress finally adopts an enterprise bankruptcy law on a trial basis. The law applies only to state-owned enterprises and will be implemented 3 months after the Law Governing Industrial Enterprises Owned by the Whole People goes into effect. That law is expected to be submitted to the NPC in the spring of 1987.

Sources China Daily (Beijing), 3 December 1986, p.1.  
Item Date 86/12/03

# ECONOMIC REFORM

RECORD: 269

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Since August 1986 an interbank money market has been operating in Shanghai. By December 1986, representatives of more than 40 banks in various cities are participating, and are conducting an increasing amount of interbank dealing directly via telephone and telex. By allocating credit the market meets seasonal and regional needs and limits inflationary pressures. Money markets are emerging as a focus of the central bank's efforts to control credit and the money supply through indirect means rather than by administrative fiat.
Sources	Robert Delfs, "China's Major Cities Join the Interbank Market," <u>Far Eastern Economic Review</u> (Hong Kong), 11 December 1986, pp.85-88.
Item Date	86/12/11

RECORD: 270

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Ling Yuxun, Director of the State Bureau of Material Supply, announces that in 1987 the state will further relax its control over a number of key materials, including scrap iron and steel and chemical products. The price of some steel products will be allowed to vary according to supply and demand, but there will be no overall price hike. The gap between the planning price and the market price of steel products, which has become a serious problem in the past 2 years, needs to be reduced.
Sources	<u>China Daily</u> (Beijing), 11 December 1986, p.3.
Item Date	86/12/11

RECORD: 271

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	Gansu Provincial CCP Committee Secretary Li Ziqi urges state-owned enterprises to permit technicians to transfer to township enterprises. Li condemns the practices of refusing to transfer excess technicians, removing their names from the membership rolls, or refusing to give them official recommendation letters. He calls on organization departments to look into such matters and help state enterprises and

ECONOMIC REFORM

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township enterprises to resolve their differences over skilled workers.

Sources

Gansu Provincial Radio (Lanzhou), 13 December 1986, in FBIS/China, 17 December 1986, p.T2.

Item Date

86/12/17

## MILITARY REFORM

RECORD: 205

Objectives MILITARY  
Subobjectives Reorganization  
Indicators Jiefangjun Bao claims in its New Year's message that a greater effort should be made to build up a modernized revolutionary army in the current reform. 1986 will be a key year in reforming the Army's structure and further reducing and reorganizing the troops.  
Sources China Daily (Beijing), 8 Jan 86, p. 4.  
Item Date 86/01/08

RECORD: 153

Objectives MILITARY  
Subobjectives Training  
Indicators China's National Defense University (NDU) is established in Beijing as the PLA's highest-level military academy. Zhang Zhen, formerly Deputy Chief of General Staff, is appointed as President of the NDU and Li Desheng, former Commander of the Shenyang MR, as the Political Commissar. The NDU was founded by the merger of the former military, political and logistics academies. Classes will begin on 1 September 1986.  
Sources Defense & Foreign Affairs Daily, (Washington), 10 January 1986, pp. 1-2.  
Item Date 86/01/10

RECORD: 204

Objectives MILITARY  
Subobjectives Militia  
Indicators On 15 January 1986, the regional CCP Committee held the 8th plenum of the People's Armed Forces Committee in Nanning. The meeting worked out plans for the regional militia to be reduced in size, to improve its quality, and to adjust the strategic guiding ideology of national defense, so that the military will better serve economic construction.  
Sources Guangxi Regional Service (Nanning), 16 January 1986, in JPRS-CPS-86-021, 19 Feb 86, p. 50.  
Item Date 86/01/16

RECORD: 202

Objectives MILITARY  
Subobjectives Science and Technology  
Indicators China held its first International Defense Industries Modernization Expo 86 in Beijing. It focused on China's need to modernize with Western technology. One hundred and sixty

## MILITARY REFORM

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companies from 17 nations and regions participated, with the US and France prominent. Products, models, and samples included aviation, missiles, electronics, conventional weapons, and production equipment worth US \$10 million, of which about one-third was offered for sale. About US \$2.5 million worth of business was concluded with the Chinese.

Sources Jane's Defence Weekly (London), 15 February 1986, p. 233.  
Item Date 86/02/15

RECORD: 167

Objectives MILITARY  
Subobjectives Industry  
Indicators Premier Zhao Ziyang has indicated that China's current policy for military industry is to transform its facilities to serve both military and civilian needs and to establish links with civilian enterprises. The Ministry of Ordnance Industry and Heilongjiang Province are establishing their first cooperation plan this year. China has planned that by 1990 the military industries will devote 80 percent of their production to civilian goods. According to the Seventh 5-Year Plan(1986-1990), military industries are to set up a network of export-oriented production.

Sources China Daily (Beijing), 5 March 1986, p. 4.  
Item Date 86/03/05

RECORD: 155

Objectives MILITARY  
Subobjectives Problems  
Indicators The PLA announced on 6 March 1986 that more than 150 officers are being sent to PLA units countrywide to investigate Army finances and to educate officers and soldiers on financial discipline. The Hong Kong newspaper Ming Pao has reported that soldiers requesting home leaves, study leaves or transfers or seeking permission to accept prizes or even join the party, have had to bribe officers with wine and cigarettes. Nanjing radio reported that "13 persons of a certain regimental garrison" had taken advantage of the Army's streamlining and reorganization, and had left the PLA unit taking videotape recorders, cameras and other public property. Ta Kung Pao in Hong Kong also reported that the commercial activities of the



## MILITARY REFORM

### Continued

Sources sons of PLA generals Ye Fei and Xiao Jinguang were being investigated.  
Lee, Mary. "Corruption Crackdown: The PLA Mounts a Quiet War on Internal Abuses." Far Eastern Economic Review, Hong Kong, 20 March 1986, p. 36.

Item Date 86/03/20

### RECORD: 156

Objectives MILITARY  
Subobjectives Demobilization  
Indicators In 1985 the PLA demobilization affected 800,000 officers and men. Despite the difficulty of finding jobs for so many people, the early retirement program is expected to continue in 1986, and perhaps into 1987.

Sources Bonavia, David. "The military: no more the sacred warriors." Far Eastern Economic Review, Hong Kong, 20 March 1986, pp. 60-61.

Item Date 86/03/20

### RECORD: 154

Objectives MILITARY  
Subobjectives Training  
Indicators The PLA has instituted a system under which new recruits will undergo four months of rigorous and systematic training before they are assigned to PLA units. A training regiment whose primary task is to train new recruits and squad leaders has been organized. The first group trained by the training regiment are better than previous recruits in political and ideological understanding, military skill, work style, discipline, and physical condition.

Sources Xinhua (Beijing), in Chinese, 22 March 1986, in FBIS/China, 24 March 1986, p. K14.

Item Date 86/03/24

### RECORD: 158

Objectives MILITARY  
Subobjectives Streamlining  
Indicators The process of streamlining and reorganization of the Chinese Army is divided into two phases. The main target of the first phase was to streamline the ground force units, and the combat units of the Navy and the Air Force. The main targets of the second phase are the logistics sector, the military institutes, and hospitals affiliated with the PLA. All the people's armed forces

# MILITARY REFORM

## Continued

departments at the county level are to be transferred to local authorities.

Sources Li Wei. "Yang Dezhi Describes First Phase of Streamlining and Reorganization of the Chinese Army as Having Basically Come to an End." Zhongguo Xinwen She (Beijing), 26 March 1986, in FBIS/China, 27 March 1986, p. K4.

Item Date 86/03/26

## RECORD: 162

Objectives MILITARY  
Subobjectives Training  
Indicators Han Huaizhi, Deputy Chief of the General Staff, indicated that China needs to reform the military academies and their training methods. The Central Military Commission plans to upgrade the educational level of all officers by the end of the year 2000. Officers who are promoted in the field must be re-educated in military academies. China plans to increase its military exchange with foreign countries, sending students abroad and inviting foreign military experts to give lectures on management, technology, military science and equipment.

Sources Liu Dizhong. "Army Demob on Schedule to Cut 1M Off Forces." China Daily (Beijing), 2 April 1986, p. 1.

Item Date 86/04/00

## RECORD: 161

Objectives MILITARY  
Subobjectives Weaponry  
Indicators In April 1986, the US announces the sale of \$550 million worth of military electronics equipment to China to help modernize China's F-8 fighter interceptors. It is Washington's first major direct military sale to Beijing. The sale requires the assignment of 25 US contractor personnel to China for a minimum of nine months. Eleven would remain in China for three years.

Sources Ta Kung Pao (Hong Kong), 10 April 1986, p. 13.

Item Date 86/04/10

## RECORD: 165

Objectives MILITARY  
Subobjectives Training  
Indicators The first PLA combined tactical training center was inaugurated in Nanjing in April

## MILITARY REFORM

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1986. Li Peiji, director of the training center, indicated that the center is providing simulated battlefield training for combined warfare. All units of group armies will come to this center on a rotational basis for training in the next few years.

Sources Xinhua (Beijing), 22 April 1986, in  
FBIS/China 24 April 1986, p. K9.  
Item Date 86/04/22

### RECORD: 203

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The transfer of command of county and city People's Armed Forces departments to local governments is proceeding gradually in China. Now, more than 60 people's armed forces departments selected for the experiment have completed their transfer.  
Sources Xinhua (Beijing), 2 May 1986, in  
FBIS/China, 6 May 1986, p. K17.  
Item Date 86/05/02

### RECORD: 166

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The CCP Central Committee, the State Council and the Central Military Commission have issued a circular to transfer command of People's Armed Forces departments to county and city governments.  
Sources Xinhua (Beijing), in Chinese, in FBIS/China, 6 May 1986, pp. K17-18.  
Item Date 86/05/06

### RECORD: 201

Objectives MILITARY  
Subobjectives Militia  
Indicators On 5 May 1986 in Shanghai, the Nanshi District People's Armed Forces Department was transferred to the command of the municipal CCP Committee and the municipal government. It will be the first pilot unit to become an independent military organ under the dual leadership of the local authorities and the military authorities.  
Sources FBIS/China 15 May 86, p. 01.  
Item Date 86/05/15

# MILITARY REFORM

RECORD: 206

Objectives	MILITARY
Subobjectives	Science and Technology
Indicators	At an enlarged meeting of the Party Committee of the Academy of Military Science, Minister of National Defense Zhang Aiping pointed out that the development of military sciences must be ahead of the development of China's armed forces. In order to raise the standards in scientific research, the Academy of Military Sciences is establishing ties with foreign military units and institutions, and recruiting younger and more academically qualified scientists.
Sources	FBIS/China 21 May 86, p. K13.
Item Date	86/05/21

RECORD: 207

Objectives	MILITARY
Subobjectives	Science and Technology
Indicators	The first automated command work station of the General Staff Headquarters of the Chinese Armed Forces was established on 8 May. The station uses a computer network in the automated command system as well as for its office work. The complete automation of the command system at various levels in the Chinese Armed Forces is expected to be completed during the Seventh 5-Year Plan (1986-1990).
Sources	FBIS/China 21 May 86, p. K14.
Item Date	86/05/21

RECORD: 209

Objectives	MILITARY
Subobjectives	Training
Indicators	The PLA Navy staged its first long-range exercise in the Western Pacific during the last part of May. The exercise included several dozen naval coordinated combat maneuvers and covered several thousand nautical miles. The exercise also tested the units' wartime communications, security, ship maintenance, equipment and facilities, and political work. The exercise was designed to meet the requirements of future naval warfare and to explore new ways of carrying out coordinated naval training.
Sources	<u>Wen Wei Po</u> (Hong Kong), 10 June 86, p. 2, in FBIS/China 10 June 86, p. W1.
Item Date	86/06/10

# MILITARY REFORM

## RECORD: 208

Objectives	MILITARY
Subobjectives	Demobilization
Indicators	The transfer of Army cadres to civilian work has been proceeding successfully. All localities have set up training schools and classes to provide job training and placement for the resettlement of Army cadres.
Sources	Xinhua (Beijing), 11 June 86 in FBIS/China, 12 June 86, p. K6.
Item Date	86/06/11

## RECORD: 152

Objectives	MILITARY
Subobjectives	Reorganization
Indicators	As of 30 June 1986, the work of transferring People's Armed Forces departments to the jurisdiction of local governments has been completed in 89 counties, cities, and districts in Zhejiang. Local party and government leaders took the initiative to solve problems, such as school and employment, for the families of PLA members. To improve the quality of militia organizations, special funds were appropriated for rebuilding or expanding office buildings, dormitories, and other supplementary facilities for militia training bases.
Sources	Zhejiang Provincial Radio, 1 July 1986, in FBIS/China, 7 July 1986, pp.06-7.
Item Date	86/07/01

## RECORD: 189

Objectives	MILITARY
Subobjectives	Training
Indicators	The General Staff of the PLA announces that the Chinese army will have noncommissioned officers (NCOs) for the first time. A total of 76 administrative and technical posts, such as company quartermaster and secretary, radio station director, and various technical jobs will be assigned to NCOs. This reform is expected to be completed by the end of 1987. The PLA has set up two schools and various training classes in 42 military academies for the training of NCOs. Candidates will be selected from male servicemen who have been in the army for 1 year and have a good record. After graduation, NCOs will serve for 10 to 12 years.
Sources	<u>China Daily</u> (Beijing), 5 July 1986, p.1.
Item Date	86/07/05

# MILITARY REFORM

RECORD: 216

Objectives	MILITARY
Subobjectives	Strategy
Indicators	China's Military Systems Engineering Commission holds a "Seminar on National Defense Strategy for the Year 2000 and Systems Engineering" in Beijing. More than 100 representatives of the PLA Army, Navy and Air Force as well as relevant experts and scholars explore questions of China's national defense development strategy for the year 2000. The meeting demonstrates that China's Armed Forces are strengthening lateral ties and holding extensive academic exchanges with local experts and scholars. This method of combining military men, civilians, and representatives of many fields and specialties may become a new form of providing consultation to policymakers.
Sources	Xinhua (Hong Kong), 20 July 1986, in Chinese. In FBIS/China, 22 July 1986, p.K1.
Item Date	86/07/20

RECORD: 237

Objectives	MILITARY
Subobjectives	Training
Indicators	The PLA begins a 3-year legal education program. It is the first of its kind within China's Armed Forces. The legal training includes the study of the constitution, criminal law, military law, marriage law, and the civil code. In addition, a pamphlet on Chinese law has been given to every PLA soldier.
Sources	Xinhua (Beijing), 25 July 1986, in FBIS/China, 25 July 1986, p.K9.
Item Date	86/07/25

RECORD: 151

Objectives	MILITARY
Subobjectives	Training
Indicators	The military theory of the PLA is changing from a "closed type" to an "open one." China's military officers are changing from a "spontaneous type" to a "university or college one." The new Military Service Law states that the replacements for officers in active duty must have received training in colleges or universities. The competence of the Chinese soldier is also gradually changing from a "physical power type" to an "intellectual one." A qualified soldier must

# MILITARY REFORM

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be provided with knowledge of natural sciences and of modern military science. Chinese troop management is changing from an "experience type" to a "scientific one." Now the Chinese troops are valued for their quality, rather than their numbers.

Sources Zhongguo Xinwen She (Hong Kong), 27 July 1986, in FBIS/China, 29 July 1986, pp.K2-4.  
Item Date 86/07/27

## RECORD: 214

Objectives MILITARY  
Subobjectives Military  
Indicators The number of primary militia members has been reduced by 80 percent (since an unspecified earlier date) and the number of militia trainees has been cut by 88 percent. The militia has shifted away from military training and toward building the "two civilizations"--material and spiritual. Militia members take an active part in economic reform, and six million militia families have become specialized households. They also play a major role in local cultural and educational activities, in organizing "help the poor" and "serve the people" groups, and in combating floods and other disasters.

Sources Xinhua (Beijing), 7 August 1986, in FBIS/China, 8 August 1986, p. K3.  
Item Date 86/08/08

## RECORD: 241

Objectives MILITARY  
Subobjectives Industry  
Indicators In August 1986, a joint export-commodities fair in which more than 400 army-owned factories, enterprises, and farms participate is held in Beijing. There are 5,000 products on display. The united exhibition is sponsored by China Xinxing Corporation (CXXC) and aims to earn foreign exchange while contributing to the welfare of the army and the country.

Sources China Daily (Beijing), 14 August 1986, p.2.  
Item Date 86/08/15

## RECORD: 240

Objectives MILITARY  
Subobjectives Professionalization  
Indicators A schedule for reforming position titles in the PLA is decided by a joint meeting of the three PLA General Departments. It includes a

## MILITARY REFORM

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job appointment system for various technical positions within the army.

Sources Xinhua (Beijing), 16 August 1986, in  
FBIS/China, 18 August 1986, p.K4.

Item Date 86/08/18

### RECORD: 239

Objectives MILITARY  
Subobjectives Reorganization  
Indicators A mechanized army corps is held up as exemplifying changes in the army. In this unit one of every two soldiers is a specialist or technician, and foot soldiers only comprise one-fifth of the troops. There is one motor vehicle, armored carrier, or tank for every six soldiers. The army corps is a new form of military organization, combining different skills and specialties to form a compound army.

Sources Xinhua (Shijiazhuang), 23 August 1986, in  
FBIS/China, 25 August 1986, pp.K10-11.

Item Date 86/08/23

### RECORD: 238

Objectives MILITARY  
Subobjectives Professionalization  
Indicators The enrollment of master's degree candidates in military academies increases to 1,200 in 1986. Thirteen military institutions offer Ph.D degrees. Academic subjects such as philosophy, economics, literature, law, and military science are taught at the National Defense University.

Sources Xinhua (Beijing), 25 August 1986, in  
FBIS/China, 26 August 1986, p.K3.

Item Date 86/08/26

### RECORD: 272

Objectives MILITARY  
Subobjectives Industry  
Indicators Most military transport facilities are now available for civilian use. More than 300 military railroad lines and transport and communications facilities, including ports, radio stations, and telecommunications networks, have been opened to civilian use, saving the state approximately 100 million yuan.

Sources Xinhua (Beijing), 30 August 1986, in  
FBIS/China, 2 September 1986, p.K10-11.

Item Date 86/08/30



## MILITARY REFORM

RECORD: 274

Objectives	MILITARY
Subobjectives	Training
Indicators	The PLA's National Defense University (NDU) opens in Beijing on 1 September 1986. At the School of National Defense Studies, three-quarters of the first year's students are military officers at the level of military region commanders and below; while the remaining quarter are leading cadres from central and state organs as well as provinces and cities. The School of National Defense Studies also offers consulting services to decisionmakers of the CCP Central Committee. The School of Advanced Studies, intended for officers at the group army level, and the School of Basic Studies, intended to train group army leaders and senior staff officers of military regions and central headquarters, also have enrolled students.
Sources	<u>Ta Kung Pao</u> (Hong Kong), 2 September 1986, in FBIS/China, 3 September 1986, pp.K1-2.
Item Date	86/09/03

RECORD: 275

Objectives	MILITARY
Subobjectives	Training
Indicators	The number of colleges and universities providing military training will be increased to 69 from last year's 52. Beginning with the 1986 autumn semester, the length of the training period will be increased to 10 to 13 weeks during the first year or two of study. More than half the training period is devoted to modern military science and practice of actual military techniques and tactics. The rest is spent on political education in Mao Zedong's military thought and on the history of the PLA. Students are trained either in army units or by instructors assigned to their campus by military units.
Sources	Xinhua (Beijing), 5 September 1986, in FBIS/China, 8 September 1986, p.K4.
Item Date	86/09/05

RECORD: 276

Objectives	MILITARY
Subobjectives	Reorganization
Indicators	The newly-organized reserve divisions and regiments have been officially included within the PLA organizational system and given designations and colors. Party committees and

## MILITARY REFORM

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#### Sources

other working offices have been set up in most of the reserve divisions and regiments.

Xinhua (Beijing), 7 September 1986, in FBIS/China, 12 September 1986, p.K19

#### Item Date

86/09/07

RECORD: 277

#### Objectives

MILITARY

#### Subobjectives

Training

#### Indicators

Students at the Armored Forces Engineering Institute will be trained in both tank technology and basic command skills. At the end of 4 years, they will be qualified both as technical engineers and as armored-force squad commanders. The present students will form the PLA's first generation of multipurpose officers. This experimental program is being conducted in accordance with the decision of the Central Military Commission to carry out educational reform in military academies and colleges to meet the needs of national defense and of transferring officers to new posts.

#### Sources

Xinhua (Beijing), 29 September 1986, in FBIS/China, 1 October 1986, p.K2.

#### Item Date

86/09/29

RECORD: 278

#### Objectives

MILITARY

#### Subobjectives

Reorganization

#### Indicators

By the end of 1985, all of China's field armies had been turned into group armies. Group armies combine infantry, artillery, armor and engineering, communications, and antichemical units, and have a relatively high degree of mechanization and mobility. The shortcomings of the traditional field armies--each forming an independent system and doing things its own way--led to the 1983 Central Military Commission decision to establish group armies. Commanding a group army demands a higher level of skills; today one of every two grass-roots cadres of the PLA is a university or polytechnical school graduate. Through reform of the structure and simplification of administration, technical officers now constitute more than one-third of all military cadres in the whole army.

#### Sources

Xu Jingyue, "All Chinese Armies Are Turned Into Group Armies," Liaowang Overseas Edition (Hong Kong), 6 October 1986, in FBIS/China, 15 October 1986, pp.K11-13.

# MILITARY REFORM

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Item Date 86/10/06

RECORD: 245

Objectives MILITARY  
 Subobjectives Industry  
 Indicators China exhibits its indigenous weapons and equipment in the first international defense exhibition to be held in China and organized by a Chinese company. The November 1986 International Defense Technology Exhibit in Beijing is organized by the China New Era Company.

Sources Zhang Chunting. "China Displays Weapons and Technologies for the First Time." Liaowang, Overseas Edition, (in Chinese), No. 42, 20 Oct 86, pp. 16-17. in FBIS/China, 3 Nov 86, p.K16.

Item Date 86/10/10

RECORD: 215

Objectives MILITARY  
 Subobjectives Reorganization  
 Indicators The PLA's new group armies combine various types of originally independent troops into a comprehensive combat unit, breaking the bounds of the "Three, Three System" and the line separating the specialized troops from the infantry. Group armies consist of not only infantry and motorized divisions, but also of tank brigades and a number of artillery troops, antichemical corps, antiaircraft artillery troops, electronic corps and logistic support troops. Some group armies also have helicopter troops. Group armies have adopted different methods of organization according to the different situations in different parts of the country.

Sources Zhang Qinsheng and Yan Xiaoyan, "Why Field Armies Are Converted into Group Armies," Ban Yue Tan (Beijing), 25 October 1986, in FBIS/China, 9 December 1986, pp.K8-9.

Item Date 86/10/25

RECORD: 279

Objectives MILITARY  
 Subobjectives Research  
 Indicators Current military research is directed toward strategic research with a greater emphasis on modern and future warfare than on history. Under the guidance of the Central Military Commission, the Academy of Military Sciences--the center of research for China's

## MILITARY REFORM

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armed forces--has been studying PLA goals for the year 2000. More and more research departments have been set up, and new fields of military research are being explored, including operations research, systems engineering, defense economics, military psychology, analysis of military information and future military operations. Research has become increasingly quantitative, and greater use is made of automated information processing and simulators.

Sources Xinhua (Beijing), 24 October 1986, in  
FBIS/China, 27 October 1986, p.K15.  
Item Date 86/10/27

### RECORD: 243

Objectives MILITARY  
Subobjectives Demobilization  
Indicators The PLA logistics and supply departments have reduced their staff by one-third. All scientific research, motor vehicle, and telecommunications units have completed their streamlining and reorganization. Although the office staff have been reduced by half, the number of doctors, teachers, and scientific research personnel remains the same.

Sources Zhongguo Xinwen She (Hong Kong), in  
FBIS/China, 13 Nov 86, p.K15.  
Item Date 86/11/14

### RECORD: 273

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The first group of noncommissioned officer (NCO) cadets, totalling several thousand, enrolls in PLA academies. The specialized Dalian Air Force NCO Academy and Naval Petty Officer Academy have been established. NCO classes have been established in over 40 army academies. The cadets are recruited by examination from outstanding soldiers who have served 2 years in the military, have a middle school or higher education, and are willing to extend their period of military service. After studying for 2 years in the military academies and receiving a year's practical training with a military unit, the cadets will graduate with the equivalent of a specialized secondary school training. They will serve in such positions as platoon leader, radio operator,

## MILITARY REFORM

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mess officer, ground service crewman and technicians of various sorts.  
Sources Xinhua (Beijing), 27 November 1986, in JPRS-CPS-87-001, 13 January 1987, p.101.  
Item Date 86/11/27

RECORD: 280

Objectives MILITARY  
Subobjectives Reorganization  
Indicators As a consequence of readjustment and streamlining, leading bodies within the PLA are smaller and more efficient, and the average age of their members has dropped. In 1982 the average age of field army leading bodies was 56; in 1986 it is 47. In 1982 only 2.9 percent of field army leaders had a senior middle school education; by 1986, 82 percent of them had a senior middle school or higher educational level.  
Sources Xinhua (Beijing), 21 December 1986, in FBIS/China, 22 December 1986, p.K10.  
Item Date 86/12/21

RECORD: 281

Objectives MILITARY  
Subobjectives Reorganization  
Indicators After an enlarged meeting of the Central Military Commission in Beijing, it is announced that since the 1985 meeting the PLA has reduced its size by 410,000 officers and enlisted men. More than 30 army corps and 4,000 divisional and regimental units have been disbanded. The staff of the general headquarters has been cut by almost half. The total reduction of one million troops will be completed on schedule.  
Sources China Daily (Beijing), 29 December 1986, p.1.  
Item Date 86/12/29